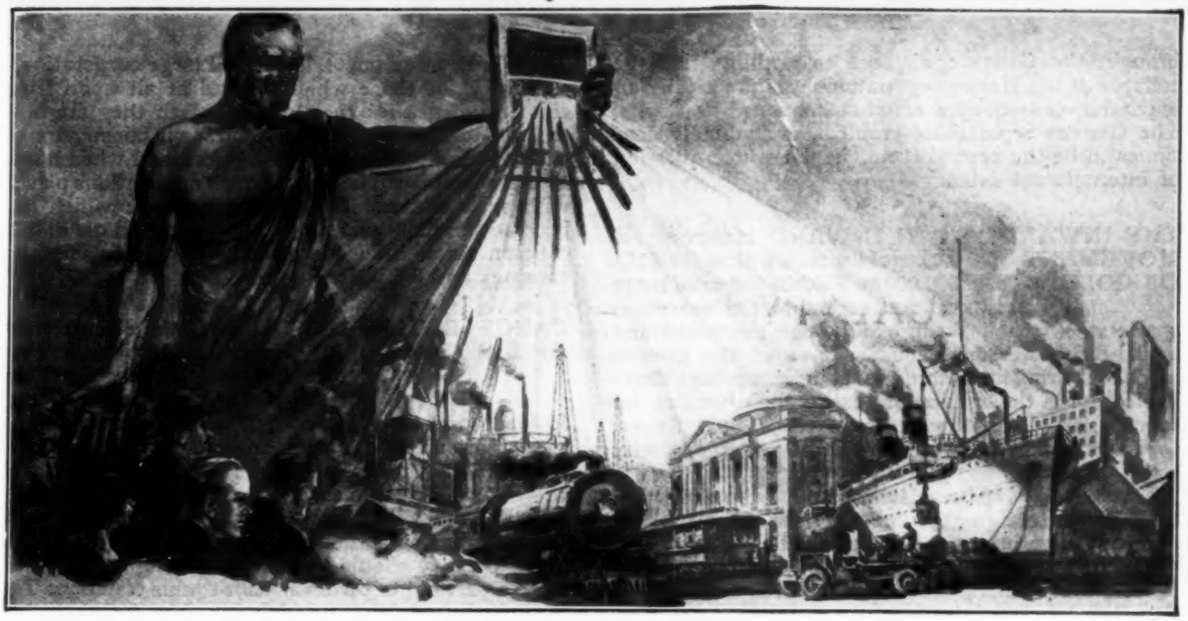


The Outlook

Strikes in Essential Industries—The Gold Movement—New Corporate Policy in Financing — The Market Prospect

THE public views both coal and transportation as absolute public necessities, hence to be furnished as needed and, when not so furnished through private enterprise, to be obtained by community action. This view with respect to the operation of the post-office and movement of the mails was long ago established, and has been taking deeper and deeper root for many years past, as regards the various other enterprises which are clearly and unmistakably affected with a public interest. It is unfortunate that governmental interference or operation should have to be attempted in any line of business, even temporarily, yet, when such action is essential to supply needed community requirements, it must be resorted to, and such action will unquestionably be approved.

* * *

CHANGE OF FRONT AT WASHINGTON

IN VIEW of the serious situation caused by present labor warfare, it is not singular that there should be a change of front at Washington with respect to the programme there regarded as essential to the public needs. Ever since the opening of the present session, there has been an attempt, on the part both of the President and of the legislative leaders, to secure the adoption of a list of measures which has included the tariff, the subsidy, and a list of other doubtful or questionable proposals to which the legislative leaders have sought to add the bonus. Within the past week or two, however, the President has let it be known that he regarded the restoration of industrial peace as a matter of superior importance, and intended to give it the right of way, treating other subjects as necessarily subordinate. This change of front has unquestionably been popular, the public at large having never been more than very faintly interested in the other measures which constituted the official programme, while large sections of it have been obviously antagonistic to some elements in the plan, such as the bonus. The precedence thus given to current issues will inevitably tend to defer action on a good many others which might otherwise have been pressed forward to a vote.

* * *

THE GERMAN SITUATION

DEVELOPMENTS in the German situation have hardly tended to produce much encouragement. Although the July 15 payment due to France was cut from 50,000,000 gold marks to 32,000,000, and, although some recovery in German exchange has occurred, the conditions afford little ground for expecting a material improvement in the near future. France is clearly disinclined still to consider any extensive reduction of reparations payments and other countries are not disposed to insist upon it. Germany's continued demand for a suspension or reduction of payments is based upon the growing economic disorganization and the fact that inflation has now been carried to the point which threatens a reduction of the value of German paper almost to the low level of value reached by the Austrian crown, should present tendencies be maintained.

While it is easy to understand the French feeling of injustice caused by the suggestion of a change in indemnity terms, the facts clearly give ground to fear a continuous spreading of the economic disorders which have so long afflicted Eastern Europe. The real question which France, therefore, has to face is whether it is wiser to hold to the abstract idea of retribution to be inflicted upon the Germans or to accept changes of plan that will ultimately bring her the largest return in cash while at the same time stopping the continuous economic disorganization which threatens nearly all of the Continental nations. French objections to adjustment have effectually

brought the Genoa conference to nothing, and the collapse of the Hague negotiations was practically an inevitable consequence of what happened at Genoa. The German reparations problem, undoubtedly continues to be the central factor in the whole question of international debts.

* * *

THE INWARD MOVEMENT OF GOLD

AN INWARD movement of gold totalling thus far $25,000,000 to $30,000,000 once more calls attention to the enormous specie stock that is being carried in the banks and again emphasizes the consequences of the present mode of settling our international indebtedness. There is already, in the opinion of nearly all authorities, far too much gold in the banks of the United States, to be helpful either to this or to foreign countries from which it is being drawn.

Statements have been lately made to the effect that most of the foreign governments have completed the financing they intended to place in this country; save of course the Germans who must, in their own opinion and that of many others, obtain foreign assistance. Still it remains true that scarcely any private financing of considerable importance has been done in behalf of foreign countries in this market. In the absence of such financing, larger quantities of goods must come to this country, or else we must content ourselves with a still further enlargement of our supply of gold. What the dangers of such further enlargement are has become more or less an old story, and has been already so widely insisted upon by many critics as to prove tiresome. Nevertheless, the situation remains, and its consequences are already beginning to manifest themselves in an advance of domestic prices, which must be looked upon as an indication or forerunner of inflation on a new and, perhaps, larger scale than in the past.

* * *

POPULAR SUBSCRIPTIONS TO STOCK

THE remarkable oversubscription to the new issue of preferred stock offered by the New York Telephone Company and the policy pursued in distributing it among subscribers deserve unusual attention. It has for some time been the announced policy of the American Telephone and Telegraph Company and of its subsidiaries to encourage general public holding of its capital obligations in small lots; and both the increase in number of shareholders in the parent corporation as well as the wide distribution obtained for the present issue of the New York company, indicates the success with which the effort is being attended. Undoubtedly it was the comparatively broad distribution of railway securities which, more than anything else, tended to put an end to the "Government Ownership" demand during and after the war.

The policy of public utility enterprises in seeking to popularize themselves by general ownership of their shares is thus a counsel of experience, as well as a sound idea in corporation finance generally. Incidentally, the ease with which the stock has been "floated," apparently without any "underwriting" or bankers' intermediation is worthy of special note. It represents the establishment of a direct relationship between the concern itself and the general public, which would not be possible without widespread knowledge on the part of the community concerning the affairs of the enterprise, or what it assumes to be such knowledge.

It will be a fortunate day for all large corporations, especially for those which depend at all upon franchise privileges for their profits, when they are able to look to a large body of their own consumers or patrons for direction as stockholders, and when needs for new capital can be met through applications placed with such stockholders or with a public which has become familiar with the financial condition of the concern through adequate financial reports as to its earnings and liabilities.

* * *

CANCELLATION OF DEBTS

AS USUAL, the discussion of German conditions has resulted in fresh proposals relating to a general cancellation of debt. France apparently looks with more favor upon the idea of reducing her demands on Germany in proportion to the reductions made by Great Britain and the United States in their claims against France herself. It is not likely, however, that France will be relieved of her obligations to Great Britain, unless the latter country should succeed in arranging for relief as to a part of her own war debt to this country. The latter proposal is that which Mr. Lloyd George has advocated from the first. As to this, American opinion is still as unready as ever, it being clear that the cancellation proposals, if worked out completely along the lines now proposed, would result simply in placing upon the American taxpayer the eventful burden of the war costs.

Discussions of the situation have been undertaken by the Debt Funding Commission at Washington and a representative of the French Government. A representative of the British Government is expected within the next few months to continue the discussion from the point of view of that country. Shipments of gold to the United States, on behalf of British interests, point to the early beginning of payments on current account to the United States. Eventual adjustment of the whole matter can hardly, however, be expected until some mutual adjustment of claims has occurred. Meanwhile, a far better development of export power than European nations have seemed likely to attain must be sought, in order to provide the basis for remittances which otherwise would involve still further shipments of specie.

* * *

MARKET PROSPECT

THE strength of the market has been put to a further test during the recent reactionary period, and the willingness of investors to continue on the constructive side has been demonstrated. We have frequently called attention in this column to the strong position of the railroad stocks; their earnings are now justifying these forecasts. While some of the industries are not in so favorable a position, the majority promise further rewards to investors with patience. Caution should be exercised in those which have reached full development for the time being.

With numerous unsettled elements in the situation, it is quite possible that the market may go through a brief period of adjustment. This might result temporarily in a trader's market, characterized by contrary movements based upon the favorable or unfavorable position of the various groups, but taking a long look ahead there is no reason to change our position that the bull market should carry over well into next year.

Monday, July 31, 1922.

What Has Harding Done?

Senator Henry Cabot Lodge Takes Up the Cudgels in Behalf of the Administration While Senator Gilbert M. Hitchcock Answers Tartly Back

In response to the request of many of our readers to present a summary of the accomplishments of the present Administration, we are publishing these two statements. Emanating on the one hand from one of the leaders of the Republican party, and on the other from the leader of the Democratic opposition, these views, we consider, represent the best thought on a subject which has become one of great controversial character. Senator Lodge is one of the outstanding figures among the Republican Senators, while Senator Hitchcock is regarded as one of the ablest of the Democratic leaders in the Senate.

By SENATOR LODGE, of Massachusetts

In so brief a space as is assigned to me, it is not possible to do more than list *some* of the achievements of the Republican Executive and Congress in their first year of full control of the Government, leaving no opportunity to appraise them. It is, however, an impressive list.

It should be noted that so long as the executive departments were in unfriendly hands the Republican Congress was handicapped, yet the Republican Congress of 1919 reduced appropriations by $1,500,000,000 from the estimates, and made them $13,000,000,000 less than in the preceding year of 1918. The fiscal year ending June 30, 1922, was the first fiscal year wholly in Republican hands. The receipts that year were $4,100,000,000, roundly, as against $3,800,000,000 of expenditures. Compare the latter figure with the $18,500,000,000 of the last wholly Democratic year, the year ending June 30, 1919.

We have reduced the public debt by $425,000,000 at the same time that we have reduced total expenditures and reduced and revised taxation, getting rid of the excess profits tax, lowering the surtaxes and eliminating many of the petty and annoying taxes of the preceding revenue laws. For the calendar year the reduction in the federal tax burden will amount to about $835,000,000. That reduction is about as much as it used to cost altogether to maintain the government before the war.

We passed the budget act, which has been the instrumentality of a large part of our great economies. We came to the rescue of the farmers with the emergency tariff act. We reformed the tangled mess of legislation relative to World War service men by the consolidation of all such functions in the Veterans Bureau, with great improvement in service to the disabled veterans. We stopped the flood of immigration that threatened our laboring people to a perilous extent. We added $25,000,000 to the revolving fund of the Farm Loan Board, thereby facilitating agricultural investment finance; and renewed and enlarged the powers of the War Finance Corporation with amazing benefits to agriculture in particular and, consequently, to business in general. Other measures of special interest to farmers are the grain futures act, the act regulating the business of the meat packers, and the act authorizing agricultural co-operation in interstate commerce.

We passed the maternity act, the great federal highways act, and we have taken the extravagance out of the Shipping Board and are proceeding to put the American merchant marine on a sound basis. We amended the Edge act in the interests of export business. We have provided for the funding of the debts of foreign governments to ours. We have established peace with the Central Powers and restored commerce and intercourse (*Continued on page* 556)

By SENATOR HITCHCOCK, of Nebraska

The Republicans have had control of Congress since March, 1919, and of the Presidency since March, 1921. Since those dates there has been ample time under a decisive leadership and with an organized party to formulate and carry out a program of legislation.

While much was proposed and more was promised almost nothing has been accomplished.

Taxpayers were promised a reduction in taxes. They are indignant because they have little or no relief.

Business men were promised prosperity. Instead of that they have encountered adversity.

Consumers were promised a reduction in the cost of living, but the cost of living has not been reduced and the pending tariff bill is certain, if passed, to increase the cost of living very materially.

The country was promised a business administration which would restore normal conditions. In place of that no attention has been paid to the nation's commerce, and both as to exports and imports our international commerce has been cut in half. For the fiscal year just closed our sales to the rest of the world were three billion dollars less than for the previous year and they are still falling off. The loss of that three billion dollars of export trade is alone sufficient to account for all our business depression, yet nothing is done to revive commerce.

In fact, the very opposite policy is being attempted. The whole force of the Republican organization is being employed to drive through Congress a tariff bill designed to raise duties to the highest point ever known. The inevitable consequence of such a bill, if passed, must be to restrict and shut out imports. This restriction reduces the only means Europe has to pay for our products and this must force a reduction of our exports. Thus we are legislating to curtail our commerce.

On the bonus question there is no policy but confusion worse confounded. Anything would be better.

The great Merchant Marine owned by the government was taken over by the incoming administration with the boast that a new management would demonstrate how to operate the affairs of the Shipping Board. After one year the Board now confesses its failure, admits losses of 50 million dollars a year, and the President proposes to sacrifice the great fleet for a fraction of its cost and spend from 30 to 60 million dollars a year in subsidies to those who will buy and operate the ships.

I leave to others the task of setting forth the so-called achievements of this administration. To my mind the distressed and depressed condition of the country, the unsettled strikes, the collapsed commerce, impoverished producers, lack of leadership, and confusion of plans indicate a monumental party failure.

New Vital Factors Shaping Market

The Influence of the Money Supply on Business Conditions and the Security Markets

By E. D. KING

THE amazing intricacy of our economic system makes it virtually impossible to determine absolute criteria by which the trend of business and securities may be accurately gauged. Judgment as to future values may be determined only relatively and to a great extent depends on the sifting of many factors, discarding those, which, while important to particular fields of finance or industry, are nevertheless of lesser importance to the economic fabric, as a whole, and retaining others of greater general significance. The enormous amount of data available for the economist seeking light on probabilities with regard to business and security trends, while in one sense making his foundation for analysis comprehensive, is because of that very fact an impediment since it often serves to complicate the process by which he may arrive at a logical conclusion.

Many Barometers

There are hundreds of business and security barometers and to a great extent they are inter-dependent. The forces influencing one barometer very often will be found to be the same as those influencing many others. Opposed to this is the fact that there are many cross-currents in the economic flow and they also must be taken into consideration. The analyst will weigh all these factors and the net result will determine his attitude with regard to future business and security movements.

In making his projections, the writer was confronted with the necessity of selecting what might be called resultant factors in the business and security situations. These factors are the results of many influences some of them relatively minute and others more comprehensive in scope. Since many hundreds of factors enter into each one of these final factors (or basic trends) it was obviously impossible to select more than a few and these of the utmost general significance.

There are three important facts that must be known by the analyst of security or business movements before he can attempt an intelligent analysis of the situation. The first of these is the actual trend of securities, the second is the business trend and the third is the money supply. Each one of these factors is the result of world-wide influences and for all practical purposes each factor is subject to the same conditions. Over a long period, the movements as indicated by each factor, will be found to progress along the same lines, the only difference, however, being that their fluctuations in either direction do not occur simultaneously. The accompanying graph will indicate this clearly.

The basic influence affecting both business and securities, though it is also a *result* of business and security conditions, is the money supply, as indicated by the Federal Reserve ratio in this graph. As readers know security movements and the volume of business transacted to a very great extent depends on the amount of funds available for these purposes. When the money supply is plentiful, an impetus is given thereby to securities and to business. The contrary is also true, i.e., when money is tight, securities and business suffer.

> **"The outlook for business and securities is principally contingent on the money supply which is itself the resultant of many factors. The money situation as represented by the Federal Reserve ratio and other important banking statistics should accordingly be carefully observed by those who wish to proceed in their business and security operations on a long-range basis."**

What influence the volume of money supply had on both security and business movements may be seen at a glance from this graph. The Federal Reserve ratio was compiled commencing with December, 1917, and inasmuch as this barometer of money conditions has been extant only since that period, we will have to confine ourselves to a discussion of the period December, 1917, to date, the earlier years in the graph being included to give a broader basis for comparison.

In the 1917-22 period it will be noticed that:

(1) In 1918, the money supply dwindled while at the same time security prices advanced and the business volume (indicated by bank clearings) increased.

(2) In 1919, the trend of the money supply was mainly downward, whereas security prices continued to advance and the business volume increased.

(3) In 1920, after a long period of stringent money conditions the money supply slowly commenced to increase at the same time that a pronounced downward movement occurred in both business and securities.

(4) In 1921, the money supply increased greatly, while the trend of business and securities was still, with the exception of the latter part of the year, downward.

(5) Thus far in 1922 the money supply is at the peak and a pronounced upward movement is visible in both business and securities.

The conclusion, broadly, is that the money supply is the principal underlying factor in the trend of the volume of business and in the movement of securities. **It should be noted, however, that it takes time for a definite trend in the money supply to be established and that pending the establishment of such a trend, securities and business may move in the opposite direction.** Indeed, this was the case in 1917 and 1918, when the money supply steadily dwindled while securities and business continued their upward trend.

The truly significant feature of the graph is the money supply. Note its regular climb upward since the end of 1920 and that it is now at the peak for the movement. Note also that since it became evident that a turn in the trend of money had occurred, stock, bond and business movements commenced to reflect this improved situation. Note also that in the last two years, the improvement first occurred in money conditions, then almost immediately was followed by an advance in bond prices, and finally by an advance in stocks and expansion of business, the latter developing last in the procession.

Outlook Dependent on Money Supply

Since money conditions lead the way, the outlook for business and securities may be said to depend on the outlook for this factor. The question of immediate importance then is: What is the outlook for the money market? Will the present abundance of funds continue, will funds grow more plentiful, or will the reverse be the case and the supply of money commence to decrease?

The answer to these questions depends on two factors principally: first, the trend in business and, second, the trend of securities. Thus, money conditions are both the cause and effect insofar as they relate to business and securities.

> **In this article the writer takes the viewpoint that underlying conditions are gradually tending toward an increased demand on the money supply. The writer is concerned solely with long-range considerations and makes no attempt to forecast what is likely to happen in the immediate future. His arguments, however, which are based solely on statistical information at hand and a broad view of the entire economic situation, indicate that a period of tightening money conditions may develop within a relatively short period. What this might mean to business and securities is brought out clearly in this article.**

The outlook for business, briefly, is the following: A definite rise in commodity prices, expansion of industrial activity, enlarged public buying, reduced unemployment, higher wages and finally a period of new inflation to be followed by virtually a boom in all classes to be in turn followed by a recession, as the demands of business on the money market become more pronounced and money rates climb upward once more.

The outlook for securities briefly is: Continued large volume of dealings as confidence in the outlook for business is generated during a time when wide fluctuations on an ascending scale will mark operations to be followed by a reverse movement when leaders in the industrial field commence to recognize that a reactionary movement is due and inflation in the stock market reaches a point where liquidation becomes an essential.

After Money Conditions Become Less Favorable

Neither the expansion in business nor the advance in securities will be permanently interrupted until long after the money supply has dwindled. For although it may be recognized widely that money conditions have become less favorable, the momentum imparted to both business and securities will be of such a far-reaching order that it is not to be expected that these movements will reverse themselves until long after the change in fundamental conditions has been noted by the money market. It is therefore perfectly possible for stocks to continue to rise and for business to expand at the same time that money rates harden to 5% and then to 6% and then to 7%. It is not until the money situation becomes highly involved that everyone will know it and try to get out of their commitments. When the rush to unload becomes general, a pronounced downward movement in securities and business will take place. This has been the history of every boom in business and there is no reason to expect different consequences this time.

What is the outlook for money? Since the outlook is that business and securities will continue to advance the conclusion is that the demands on the money market will become more urgent.

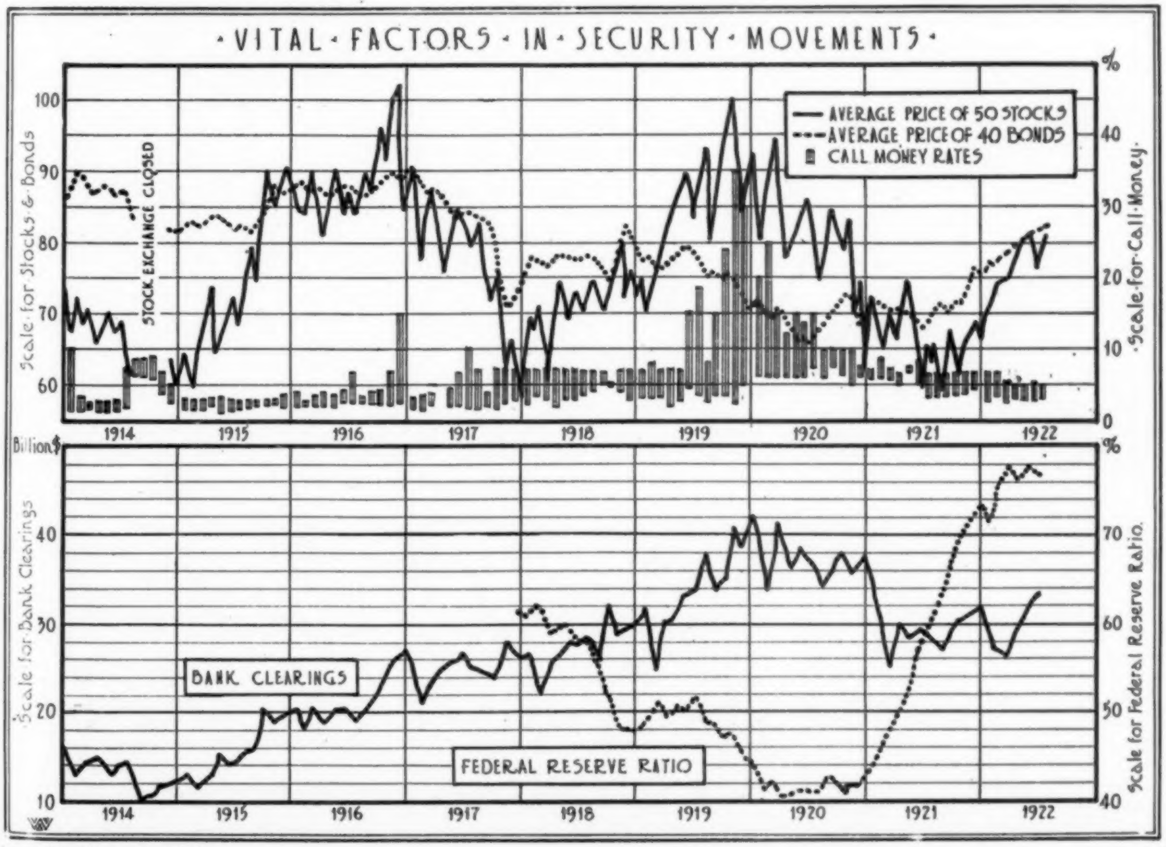
When may this be expected to occur? Probably with the advent of autumn when demands for money in order to move the crops will increase and the volume of added business will occasion great demands on the banks. At that time we should commence to see a permanent hardening of money rates, successively bringing up the level of money rates to a figure considerably in excess of what obtains today. **Such a downward movement in the supply of money might be expected to continue as long as the upward movement in securities and business continued.**

Practically speaking, it appears a period of continued ease in money rates might be expected to continue for about a half year longer as a maximum and that during this time, securities broadly should continue to advance with the same thing true of business. Sometime during the latter part of this year money rates, owing to the lessened money supply, will commence to reflect this situation by advancing, but securities, in general, will pay little attention to this new feature until some months after that period. Business will continue to advance even though the stock market starts to decline and money becomes less plentiful. But when the money situation becomes completely unfavorable then business too will join the downward procession.

Conclusion

In conclusion, it is evident that underlying conditions favor securities and business at the present time, but that owing to increasing inroads on the money supply which will come later, the outlook after a year or so is not quite so favorable. In a word, ease in money conditions on the present plane will probably continue for no more than the balance of the year; securities should continue to advance broadly until about six months after the turn in money conditions; and, finally, business should continue to improve for about a year after the change in the money situation.

The outlook for business and securities is principally contingent on the money supply which is itself the result of many factors. The money situation, as represented by the Federal Reserve ratio and other important banking statistics, should accordingly be carefully observed by those who wish to proceed in their business and security operations on a long-range basis.



Is Labor Right?

A Tri-partite Discussion of the Relative Rights of the Three Great Groups Affected by Tremendous Labor Upheavals

FOR LABOR
Samuel Gompers

FOR THE EMPLOYERS
Col. Charles R. Gow

FOR THE PUBLIC
Senator George Wharton Pepper

Labor's Side of the Controversy

By SAMUEL GOMPERS

President of the American Federation of Labor

THE present outlook for labor is in reality the outlook for America, because labor is not something apart from America. Labor is the blood and bone of America, and there cannot be one outlook for labor and another outlook for the nation as a whole.

The ink was scarcely dry on the armistice when groups of powerful employers began to plan for what they called "the liquidation of labor," meaning the grinding down of labor to less than subsistence standards and the wrecking of the voluntary organizations of the workers.

We have today the climax to that movement. Employers have not hesitated to break faith in the most wanton manner in order to achieve their ends.

Coal mine owners broke their contract with the miners. The result is the coal strike. Railroad owners have been even more audacious in their duplicity. Ninety-four great roads have defied the Railroad Labor Board and ignored its findings.

—From Birmingham Age-Herald

Yet these roads demand that the workers accept an award which no self-respecting workers could accept.

The attitude of government has been narrow and unseeing. Sympathy with ruthless employers has been most manifest. The question of justice to more than a million workers is thrust aside by the government. "Bring on the army," seems to be the height of political wisdom as manifested in Washington. The Fathers of our country took great care to guarantee justice to every individual. They set up the jury system for criminals and provided for many appeals for their protection. A murderer must have a fair trial. I repeat that we should be even more punctilious about justice in the large. It is no safer to deny justice to a million than to one, and much less American in spirit.

The outlook *for* labor today is one thing; the outlook *of* labor is another. I know what is the outlook of labor. It is for firm resistance to injustice. As to the other we must wait for developments.

The investors who read this magazine, for which I write these words in response to a request, are a part of what is called the public. Their profits come from the toil of men and women. Usually they consider their responsibility ended when they have loaned their money or bought their stocks and bonds. To them there are two things to be said: First, they have a responsibility as citizens and that responsibility carries with it a moral duty which cannot be shaken though it may be neglected. Investors whose money arms an industrial tyrant and autocrat still have their responsibility. And second, I would say to them that autocratic industry is not productive of stability, continuity or the highest productivity. Investors are going to get the worst of it in the effort to restore autocracy to industry. I ask them to think about that while they clip their coupons and draw their interest.

There is no promise of peace to be held out while greed and tyranny are on the rampage in the industrial world. The workers are determined to have a voice in deciding the conditions under which they shall give service. They are not going to be ruled from a throne in their industrial life any more than in their political life.

Greed is always ignorant and blind. It is proving this conclusively today. Modern industry is a complex institution. It is the major part of the life of working people and it provides the means of life for many who do not work. Laws governing industry and life within industry are vastly more important to working people than laws governing political and community life. Workers know this and they intend to participate in making these most important laws—the rules and regulations and terms of work.

Greed says: "I have a right to fix terms and to make all rules—I am boss."

Greed is wrong. It has no such right. The effort to establish such a right will fail. Nero thought he had a right like that. Napoleon thought in about the same terms. Wilhelm had the same kind of an outlook and the same kind of a mind. Read history and learn what happened to them; and what is more important, learn what happened to the concept which they represented.

The workers have good will and knowledge and intelligence and initiative to contribute to industry. These contributions cannot be forced from any worker, but they can be won from all by fairness.

Unless the powers that be in industry and to a lesser degree in politics, see this vital truth, I fear that there are dark days ahead. Our horizon can be cleared instantly by its recognition. There is nothing very complicated or involved about what to do. Give democracy a chance.

If democracy is not given a chance democracy will have to fight for its life as best it may, for it is going to live. Beyond that I am not a prophet.

What Strikes Mean to the Public

By Hon. GEORGE WHARTON PEPPER

U. S. Senator from Pennsylvania

NO intelligent person wishes to underestimate the importance of the issues involved in the strikes. Important as they are, however, they do not justify the terrific cost at which they will ultimately be settled. No matter how grave the controversy between two private litigants, their neighbors could not afford to suspend business indefinitely while awaiting the outcome of the dispute.

Sooner or later the American public may find themselves facing financial ruin and increased mortality, merely as the result of the determination of two great industrial groups within the Republic to fight out their differences at public expense. All business may be blighted, invested savings of the people depreciated and industry prostrated because of the internal quarrels of two industries.

It is not easy for the farmer to realize that these strikes may mean bankruptcy to him. The fruit grower can scarcely credit the calculation which proves that his industry is threatened with ruin. Industrial depression and resulting unemployment mean suffering and death. A coal shortage drives people from work

and leaves them to freeze when they get there. To cut off the nation's coal supply and tie up transportation is a good deal like stopping a man's heart from beating and his blood from circulating. This seems like rather heroic treatment for the sake of curing a local irritation.

Incidental to the strike as a method of settling industrial controversy is the problem of enforcing law and preserving order during its continuance. The miners and shopmen do not intend violence and they naturally resent the suggestion that they do. To call out troops may be merely a precautionary measure. And yet if troops are needed at all, it will be to help

AS USUAL

—From Louisville Courier-Journal

operators and strike breakers rather than strikers. Therefore, the strikers regard mobilization as a move hostile to them, even when this is far from the purpose of the authority who felt in duty bound to order it. There is something wrong with a situation in which the necessary steps for preserving order cannot be taken without aggrieving one of the two groups most directly concerned in the matter.

The above considerations are doubtless some of those which are impelling the President to do his utmost to bring the strikes to an end. Coal must be mined. When it is mined it must be moved. Either the mine owners and the strikers must do the mining or it must be done by others. Either the striking shopmen must keep rolling stock in order or other mechanics must do the job.

The President spoke for the public when he allowed the disputants a reasonable time in which to resume production and operation. He has clearly intimated that if this does not happen he will increase the pressure. The naming of a strong commission would be a first step in this direction. A request to Congress for definitive legislation might be a second. Actual operation of mines and trains in the public interest would be a regrettable third step; but it looms as a definite possibility. Scarcely any trouble incident to ending the strikes can be as serious as the trouble that will result if they continue.

Meanwhile we must keep our minds open respecting the merits of the questions involved in the strikes. Mr. Gompers is right when he says that we must not make this an occasion of attacking organized labor. Neither must we rail at operators and executives.

We must end these strikes, and then soberly, patiently and with infinite fairness determine the merits and remove the causes of strife. We must never again treat local irritation by putting the patient to death.

The Rights of the Employer

By Col. CHARLES R. GOW

President of the Associated Industries of Massachusetts

THE welfare of every individual in this life is directly dependent upon the manner in which each of his fellow men discharges his obligations to society. When 99% of the population is peacefully engaged in contributing in a normal manner its share of the human service which is needed to meet the requirements of the people at large, there can be no moral justification which will in any manner warrant the slightest interference from the remaining 1% in preventing the orderly processes of production which are vitally essential for the subsistence, comfort and happiness of every man, woman and child in the country.

There is no right possessed by any individual or group of individuals living under the protection of the laws of this Republic which can subordinate in any degree the greater right of the majority of its people to determine for themselves the particular line of conduct which these individuals must observe. In the last analysis the will of the majority must govern through duly constituted laws. Otherwise we cease to be a democracy and become an autocracy and an autocracy is equally repugnant to the minds of the American people regardless of the particular class of the population which exercises the power.

In the case of the railroad strike, the majority of our people attempted to speak through its duly accredited representatives. If the findings of the Railroad Labor Board in this instance did not in fact correctly represent the conclusions of the majority of our citizens with respect to the issues involved, public opinion and political action will make manifest to that body its disapproval of the findings and ultimately will compel an acceptance of its supreme authority to dictate reason and justice. It would be a preposterous assumption to recognize as a principle of government the right of a comparatively few individuals to reject the determination of the people of the country to whom they must look for their continued existence.

It is useless for the striking miners and railroad workers to plead in defense of their conduct their fundamental right to cease work at will. They make no secret of the fact that they have conspired together collectively to stop work simultaneously, not because they no longer wish to follow their accustomed vocations, not for the purpose of seeking other employment more to their liking, but rather for the avowed purpose of so disrupting industry and commerce and otherwise interfering with the normal pursuits of one hundred million of their fellow inhabitants that the majority may be coerced through discomfort or fear of the consequences into paying them special tribute in excess of that allotted to other groups under similar circumstances as a condition precedent to their return to their former duties. The methods employed by these groups savor more of those of the highwayman and bandit than of ill-treated workers merely seeking justice through appeal to their fellow men. This conspiracy to inflict upon an entire population the suffering, privation and hardship which the act entails, whether in reprisal for real or fancied wrongs, is a form of tyranny which the American people will never tolerate.

The position of the strike leaders is and has been that the selfish interest of the strikers is paramount to that of society in general; that because they possess, through organization, the ability and power to inflict punishment upon their fellow citizens they are justified in exercising that power whenever such action would seem to accrue to their advantage. Certainly, a nation which has so recently and successively combated that attitude on the part of a foreign power, will not long countenance its manifestation by elements of its own population. It will be easily possible at any time for the people of this country to apply even more effective and drastic methods in their treatment of those who strike against the public welfare.

The strike of the railroad workers was not directed in any sense against the railroad managers or owners. They neither gained nor lost except as individual members of the community. In essence it was directed against the attempt by the people of this country to secure a lower cost of transportation which would help in reducing the cost of living and in improving the economic status of every man who labors whether manually or mentally.

Uncle Sam: "And just when I had everything arranged to give him a real welcome!" —Marcus in the New York Times.

The claim of the strikers that their act

(*Continued on page* 553)

Odd Lot Executions and the Partial Payment Plan

Stock Exchange Committees Considering Improved Facilities

By RICHARD D. WYCKOFF

IN previous issues several constructive suggestions have been made regarding the machinery of the New York Stock Exchange, some of which related to the rapid handling of orders, and contained an outline of a plan by which odd lots might be executed in from five to thirty seconds. As the Exchange is deeply interested in anything that will lead to more prompt and satisfactory functioning, the president, Seymour L. Cromwell, arranged to have the matter fully discussed. Accordingly, it was my privilege to appear before the New York Stock Exchange Committee on Odd Lots on July 19th, and, on the 25th, at a joint hearing of the Odd Lot Committee and the Committee of Arrangements. At these hearings the rough idea originally submitted was developed to a considerable extent, particularly in the following respects:

(1) I suggested that the method of transmitting quotations from the main floor of the Exchange to the odd-lot dealers' desks in another room be done by means of an electrical device which would simultaneously flash the changes in quotations to an indicator located on the side wall of the main board-room, so that whenever a quotation is desired the telephone operators on the floor would merely have to raise their eyes to this board and would instantaneously be able to give the quotation directly to the telephone man in the brokers' office. This would cut out all operations through pages on this end, pneumatic tubes, pages on the other end, spindles, attention of floor brokers, etc. It would accomplish in a few seconds what now requires many minutes.

(2) A permanent record of all quotation changes, with the hour, minute and second when they were made could automatically be produced on a sheet of paper by means of a combination of the electrical quotation indicator and a mechanical time stamp, so that at any time of the day any broker could refer to this sheet as evidence of the quotation existing at that time. Such a record would form the basis for a settlement of all disputes as to executions.

(3) An electrical keyboard somewhat like that of an adding machine could be installed on the side of each of the twenty trading posts, or these posts could be so enlarged as to form a small crow's nest in which a keyboard operator could stand, his position thus giving him an unobstructed view of the floor surrounding the post, where about twenty-five stocks are dealt in. The reporter who now goes into the crowds and makes a pencil and pad record of all transactions taking place therein, could be relieved of this pencil and pad work, as well as the walking across to one of the four booths where the ticker operators are located. This could be accomplished by his using the finger signals for the purpose of flashing to the keyboard operator on top of the post, and by this means he could not only report the sales, but the existing quotations as he steps from crowd to crowd. The rapidity with which hand signals can be transmitted has been well established, not only in the recently existing open-air Curb Market, but in the Chicago Board of Trade.

The objection expressed by one of the Committee that to permit clerks to fill odd-lot orders in another room in the Exchange would give them the privileges of a $100,000 seat, may be answered by stating that the filling of these orders, if it were done on the bid and asked prices, or at limited prices, is really a clerical job which is now imposed upon the odd-lot members who stand in the various crowds, the real trading being done by them in evening up their position.

It was pointed out that while the improved ticker service which is about to be installed would probably keep the tape very close to the actual market, the delay in transmission of the odd-lot order to the crowd, having it executed and getting the report back again would still exist, although the up-to-date ticker-tape prices might obviate many of the complaints that now exist.

Further Suggestions

In discussing this matter in detail with the joint Committees, I submitted to them a further suggestion relating to the clearing and financing of odd-lot business of Stock Exchange members, for it seems likely that if odd lots are to be handled in seconds instead of minutes, such business should thereafter expand at a rapid rate and bring new demands upon many New York Stock Exchange houses. This plan contemplates not only a new method of financing odd lots, but a revival of the Partial Payment method of buying them. The plan was as follows:

"For many years the brokerage houses accepting odd-lot business have found the financing of it a difficult problem. Odd lots tie up a broker's capital. No broker wants to fill his loans with fractional lots of stock; hence an abnormal working capital is required, or special loans on odd lots must be made. For these reasons many houses have discouraged odd-lot trading.

"What I have to suggest would involve a change in the machinery, not of the Stock Exchange, but of the houses doing odd-lot commission business. I should like to see practically every Stock Exchange house placed in a position where it would not only accept, but would become eager to secure odd-lot orders, for cash or on margin.

"We all remember that the Partial Payment Plan originated with an odd-lot house many years ago; that it was later adopted by a great many houses, and this condition continued until the bucket shops began to make such a feature of advertising using the Partial Payment Plan as a disguise for bucketing operations, that New York Stock Exchange houses finally reached the conclusion that in advertising for this class of business they were placing themselves on the same plane as the bucket shop. This, combined with the disadvantages above mentioned, caused practically all of the Stock Exchange houses to withdraw from the field.

"Now that the bucket shops, with comparatively few exceptions, have been driven from the Street, many small investors and traders find themselves without a selection of satisfactory houses which will accept their business. It is, therefore, necessary that this matter be given close attention by the Stock Exchange. This country's development should not be retarded by any restrictions on the small investor nor on the brokerage houses that under certain conditions would be very glad to receive him and give him the facilities that are his due.

New Association Should Be Organized

"I therefore respectfully suggest that a new institution or association be organized, and that it be known as the Stock Exchange Trust Company or Association. Its purpose should be the financing of the odd-lot transactions of all New York Stock Exchange commission houses. It should not only carry and lend money on odd lots, but it should lend odd lots of stock to the brokers who wish them for delivery against short sales or to make deliveries of certificates in transmission from distant clients.

"A new branch of the Stock Exchange clearing house should provide for a daily clearing sheet of all odd-lot balances, representing trades not previously offset between odd-lot dealers and brokerage houses with whom they are doing business; or the pairing off may be done by

the Trust Company. The stock balances which brokers have to receive and deliver should be received and delivered by the Trust Company, and the moneys received and paid should be credited and charged to the various houses on the books of the Trust Company.

"The Trust Company should be empowered to treat the odd lots coming into it and delivered by it as so much cash in security form. The identical certificates delivered to it should not necessarily be returned by it; thus all the odd lots constituting the Street's supply will be liquid and any part may be transferred into or out of hundred-share lots, and in either case used as collateral against loans which the Stock Exchange Trust Company can either supply or secure from other institutions.

"Of course, the brokerage firms would be obliged to keep a proper margin on long stocks carried with the Trust Company. This need not vary from the present customary twenty per cent margin on collateral loans now required by banks. The margin would be at all times a matter of adjustment between the margin clerks of the houses and the loan clerks in the Trust Company, subject to rules and regulations.

"The Stock Exchange firms that are now unable to handle this business, would find it a different sort of proposition under such a plan. They would doubtless find it practicable to resume inviting the public to invest on the Partial Payment Plan.

Odd-Lot Transactions Complicated

"The operations necessary to the handling of an odd-lot transaction on the Partial Payment Plan are about 125 in number, and it is not surprising that many firms have found the business unprofitable. A number of these operations are due to the twenty payments which are spread over a period of nearly two years. This plan was advocated by bucket shops who desired a long period in which to take advantage of their clients. But there is no reason why anyone who wishes to buy on the Partial Payment Plan should not complete his payments within one year, paying twenty per cent to twenty-five per cent down and the balance spread over ten or twelve months. This would reduce the number of clerical operations.

"A trust company, organized for the purpose and making a specialty of the handling of this installment business, could reduce operating costs to a minimum. It could base its service charge on actual cost, not being a money-making institution but one organized for the benefit of Stock Exchange members and their clients. That being fully understood by the public, the service charge would never be questioned.

"The investor who is saving his money, perhaps depriving himself in order to pay for the stocks or bonds thus purchased, requires assurance that when all his payments are made, he will get his certificate or bond promptly. At present he runs the risk that a broker's failure may deprive him of, or tie up, his property. All these objections could be overcome by having Partial Payment orders executed by the brokerage house, but cleared, financed, payments collected and certificates delivered directly to the clients by the Trust Company.

"From the broker's standpoint: His revenue would come solely from the commission on the odd-lot trade. Any little profit on interest would rarely pay him for going through all the Partial Payment motions. If the Trust Company could take these off his hands, do the collecting and deliver the certificates or bonds when they are paid for, the broker's working capital would be released, he would have his commission, and the matter would be closed as far as he would be concerned. The dealings would then rest between the Trust Company and the investor direct.

"From the investor's standpoint, such

(*Continued on page* 566)

The "Floor" and Posts of the New York Stock Exchange

Investors' Vigilance Committee

Conducted by The Magazine of Wall Street in Cooperation With the Chambers of Commerce and Other Business Organizations

THE response to THE MAGAZINE OF WALL STREET'S call to the business organizations of the country to mass for the purpose of driving the fake promoters out of their communities, out of their states, and out of existence, has been so general that the secretary might well enter in his minutes: "carried unanimously." Even the promoters have vociferously chorused their make-believe amens, and are beginning already to maneuver for seeming endorsements of their schemes or financial structures from THE MAGAZINE OF WALL STREET.

It may as well be made clear right now that THE MAGAZINE OF WALL STREET has no intention of endorsing, approving or giving any other countenance to any stock-selling scheme, but the promoters were quick to realize what the Investors' Vigilance Committee is likely to do to them. Almost before the ink was dry on the first announcement the promoters began writing in. Crooked financial circles know what force can be exerted by one hundred or more of the country's livest Chambers of Commerce in cooperation with THE MAGAZINE OF WALL STREET.

Public Assistance Necessary

Every one of our readers can assist in the clean-up and preventive work that is to be undertaken by the Investor's Vigilance Committee. If a slick promoter opens up in your town, if persuasive literature is received by you in the mail urging the importance of subscribing at once to the Bunktyunk Mining Company, just get together all of the printing matter, prospectus, sample stock certificates, return envelopes, and everything else, and mail them in to the Investors' Vigilance Committee in care of this Magazine. Don't feel embarrassed that you have been picked out as a "sucker." These gentry send their stuff around to every name they can get hold of. They don't care whether your are an underwriter or an undertaker. They go on the theory that a certain percentage, usually placed at 2 per cent of those whom they circularize, will become good prospects and that if they can sell stock to 5 per cent of the prospects they will be doing well. Don't hesitate therefore to send in any literature you may receive in the mail. Don't fear anyone will think you are on some so-called sucker list. Send it in, anyhow, even if you do not wish to send your name along.

Within the next few weeks the swindling stock salesmen will be trekking to the West and South, seeking temporary camping places in territories that appear most promising. Be on the watch for the man who opens up a store and puts in a window display of flamboyant placards, working models and all the rest of the paraphernalia. Get some of his literature and send it in for the files of the Investors' Vigilance Committee. You may make it possible for the commission immediately to apprise the business organization in your community of sufficient facts regarding the flotation to enable the organization to force the nomadic stock salesman to take his pretty printed stock certificates elsewhere.

There is an old saying that the E. Z. Marx family is most numerous in the big cities and I am constrained to believe it. On Broadway in New York City one of these promoters of questionable securities is operating. He was doing a land office business the other night apparently, each of his salesmen having a victim seated beside him at his little desk. While the demonstrator was lining up new prospects the head of the outfit sat comfortably in a large armchair just inside the doorway, smoking a fat black cigar, and gazing with complacence about the store. The particular promotion in which stock is being sold by this crew has been peddled all over the country for at least ten years, and I have seen the mechanical exhibit used to lure victims in operation in a half dozen cities in that time, but apparently it is still effective. It is the intention of the Investors' Vigilance Committee to get vigorously after all of these promotions and the business men's organizations will be in position, within the next few months, to wage against them a really effective campaign.

THE INVESTORS' VIGILANCE COMMITTEE

The Investors' Vigilance Committee is conducted by THE MAGAZINE OF WALL STREET in cooperation with Chambers of Commerce and other business organizations throughout the United States. Altogether practically one hundred live community bodies are united in the work of the commission, the primary purpose of which is to prevent peddlers of worthless securities from unloading their worthless or near-valueless securities upon the untrained investors whom the fakers so easily dazzle with their fairy tales of wonderful possibilities and vast profits that await the "investor" in their "securities."

Is the business organization of which you are a member associated in this drive against the fake promoter? Ask your secretary, and if he has not yet signified that your organization is opposed to the vending of illegitimate stocks, ask him why.

Communications from Chambers of Commerce

It is very interesting to read over some of the communications that are coming in from Chambers of Commerce and other business organizations in support of the Committee. Many of them bring in literature issued by promoters. All sorts of alluring promises are held out—most of them familiar to our readers. Out in Kansas City, for example, there is a company whose capitalization is placed at $5,000,000. It announces on its own letterhead that it is paying 48 per cent a year in dividends. This would mean $2,400,000 a year in profit distribution alone.

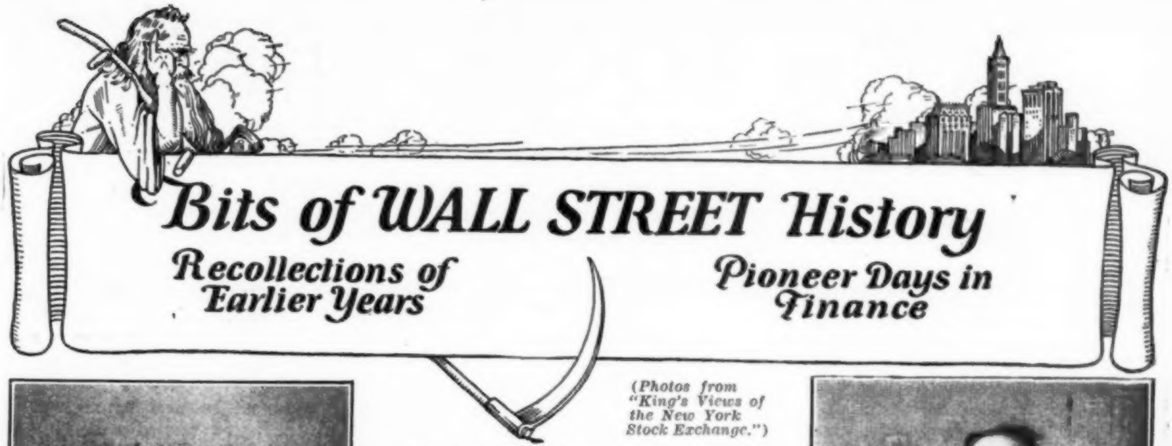
Yet this company is trying to sell 11,150 shares of stock at $1 a share, and in order to make the offer more attractive it adds: "All dividends will be paid in cash. We believe that we will be able to pay 100 per cent a year. Mail us your check for 10 shares or more."

I suppose if one were to look closely into this he would discover that only a few thousand shares have been receiving the 4 per cent monthly dividend. That is a very frequent practice. It stimulates new subscriptions to the stock and calls for a very small outlay. Nobody ever seems to question whether the company—in this case a mere common law company, very likely not subject to the corporation law—is paying its dividends out of actual profits, or out of moneys received from the credulous recipients of the company's literature.

What the Investors' Vigilance Committee Was Organized For

Some day this sort of stock selling will be looked upon as a curiosity. At the present time, however, it is the duty and task of the business organizations of the country to get together in the work of stamping that out. That is what the Investors' Vigilance Committee has been organized for.

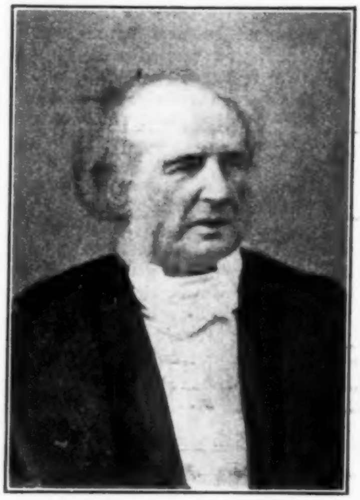
Right at this point we make an ardent plea for the enthusiastic cooperation of every reader of this Magazine and everybody who is interested in making this country "safe for investors." The multitude of parasites that feed on investors makes it imperative that concerted action be taken in driving these pests forever from their essentially criminal activities. The only way that this can be done is by publicity. The more publicity the better. As soon as investors all through the country become aware that their savings are in danger on account of the activities of the salesmen and promoters of fraudulent securities, they will have no place to go to and perforce will have to quit the game. If you have reason to suspect that a slick promoter of fake stocks is around your neighborhood, write to us or to your Chamber of Commerce. Make life uncomfortable for those who would deprive you of your savings. Do it now!



Bits of WALL STREET History

Recollections of Earlier Years — Pioneer Days in Finance

(Photos from "King's Views of the New York Stock Exchange.")



Com. Cornelius Vanderbilt

HIST! Good reader: Do not gather from what has gone before that all the financial leaders of the past were wreckers, that none of them built for better things. Harriman, Colis P. Huntington, James J. Hill—would we have our great railroad systems today if men of daring vision such as these had never lived? How many poor men would sleep in the streets the country over to-night had it not been for the practical philanthropy of Darius Mills? Russell Sage, Andrew Carnegie, John D. Rockefeller—the list is infinitely long of their philanthropies, of their notable contributions to the cause of science, education and comfortable living.

Jay Cooke

Found: A Treasure!

Browsing happily among the annals of the past, the historian came upon a treasure: *King's Views of the New York Stock Exchange,* edited, published and copyrighted in 1895 by Moses King. Pictures of Wall Street when the Mills Building was new, and one of the outstanding architectural triumphs of the district—when the Stock Exchange was housed in a cavernous, forbidding building, one story high on the New Street side, while in front of the Mills Building on Broad Street, says Mr. King, "there can be seen every day, in good or bad weather, generally from about 9.30 A. M. until about half an hour after the Stock Exchange has closed, a gathering of from a dozen to forty or fifty individuals apparently engaged in some colloquy of deep interest. Inquiry elicits the information that this is what the "Street" calls the "Curb."

A picture of Commodore Cornelius Vanderbilt (reproduced here) and Jay Gould and Daniel Drew. Also one of Jacob Little, whom few remember today, although Mr. King wrote:

"Who can doubt that so long as there is a Stock Exchange the name of Jacob Little will live? His name is as much a part of the exchange as its constitution and it grows greener as the years roll on (*sic*). He was the greatest speculator of his time, and perhaps there has not been a greater since. Were he in the flesh at this day, it is fair to presume that he would, by his forceful and resourceful character, be the recognized leader of the speculative community. As for decades the securities of the Erie Railroad have been the basis of sensational Stock Exchange operations, it is quite proper that they should have provided the means for Jacob Little's master stroke. The story may be briefly retold:

"Little sold Erie stock short on an enormous scale. A combination was made up against him, and it was supposed a 'corner' in the stock had been effected. When Little was finally called upon to deliver the stock, he presented at the office of the Erie Railroad bonds which were convertible into stock, and demanded the stock for them. These bonds he had purchased in London, unknown to the operators who were opposed to him. The corner collapsed at once."

Jay Gould

Jacob Little

Is This the Time to Buy?

Psychology as a Factor in Buying — Commercial Buyers Impressed by Strength of Prices—Should They Cover Their Requirements Now or Wait?

By ALFRED MAYS

BUYING policy is largely determined by two factors. The first of these is the actual need of the consumer and the second is what may be termed the psychological element entering into the situation. The first factor is purely economic and need not be discussed here except to say that it is basic, and on it is erected the business structure of the entire world. The second factor, however, being more subtle, is not so generally appreciated as it should be.

Yet an analysis of commercial experience in the past few years will show what a large part psychological element plays in the general business situation. For example, in the falling market of the period, 1920-1921, buyers withdrew from the market to a great extent, not so much because they did not need the goods or did not have the funds with which to make their purchases as because they expected prices to go lower, and, expecting that, they preferred to wait until the actual bottom was reached. One buyer observed what the other was doing and when he reached the conclusion that his neighbor was withdrawing from the market, he did the same. After a period "everybody was doing it" and the result was the famous buyers' strike.

Following events have proved that this abstention from the markets of the world was not justified to the extent to which it developed for the fact was that after the buyers' strike had proceeded to some length the world's shelves gradually became bare, proving that the "strike" had been overdone. Yet it was an excellent illustration of what psychology would do, even in such prosaic matters as commodities and their prices.

Psychology Changes

Of course, this situation had to end some day, and it did. Growing scarcity of goods and the feeling that the selling movement had proceeded too far, caused buyers to cautiously enter the market last autumn. They have been entering ever since in growing numbers and now that the leaders in the upward movement have proven their contention of a rise in business to be correct, everybody is willing to believe it. Just as they rushed away from the markets, several years ago, they are now entering these markets in ever growing numbers.

The best thing to do is the safest thing to do.

Buy now, but do not buy any more than you are sure of being able to handle.

Do not get yourself into a position like that of two years ago.

There will be many who will over-buy, and while they may find it profitable for a time, in the long run the conservative policy is the one that will win.

Public psychology has largely changed since last year. Optimism, while not broadcast, is more in evidence, and now that prices have shown ability to rise, **buyers are not so frightened as they once were and are willing not only to buy for present needs, but what is more important, they are showing a distinct willingness to order for future delivery,** which means that they are confident that expansion in business in general and in their own particular business will continue.

Some Buying Commodities for a Speculative Rise

Conservative business men are concerned about the present situation. As is always the case in a rising movement, the speculative element is increasing and some buyers who were afraid to buy at all last year are now buying in extra large quantities, more in the hope of profiting from a speculative rise than for the purposes of using them in legitimate manufacturing or commercial enterprises. The more confidence there is generated in the present business situation, the more the speculative imagination will be developed, and it does not require a far-seeing mind to arrive at the conclusion that the period of rising prices now under way will culminate in something like the speculative enthusiasm which marked the last orgy in commodities.

Many sound business houses, against their will, were carried away by the speculative fever of 1919-1920, and in order to protect themselves, were simply compelled to order about twice as much as they needed on the theory that if they ordered twice as much as they needed, they might get half as much as they ordered, which would bring them to the point required. For a while this worked, but when the smash came these concerns found that they were getting their full quota, in other words, twice as much as they needed, and they suffered fearfully in the ensuing break. The speculators, therefore, were not only their own undoing but that of many reputable and conservative houses.

Buyers Should Look Ahead to Be Safe

Looking ahead a bit, therefore, it is essential that business firms establish some sort of buying policy that may carry them through every contingency lest they be caught again in a situation like that of several years ago. Such buying policy, of course, will be determined principally by the outlook for the various markets.

It seems a foregone conclusion that prices will continue to rise; in many cases they have already risen greatly (see table). In that case it does not seem that there would be much to gain by waiting, and therefore advice is given to commercial buyers to cover their full requirements for the next few months. Unless this is done, it is likely that they will have to pay more for their goods. However, such policy should not be extended to mean unlimited buying, for that would be speculative, and, judging by the results of 1920-1921, it will not pay to speculate excessively in commodities.

The best thing to do is the safest thing to do. Therefore, buy now, but do not buy any more than you are sure of being able to handle. Do not get yourself into a position like that of two years ago. There will be many who overbuy, and, while they may find it profitable for a time, in the long run the conservative policy is the one that will win.

FLUCTUATIONS IN COMMODITY PRICES

	Jan., 1914	1914-1922 Highest price	Date		Lowest price	Date		Current price	Inc. over lowest price
Copper, per lb	$0.14½	$0.36	March,	1917	$0.12	Aug.,	1921	$0.14	16⅔%
Steel (bars), per ton	24.00	80.00	Aug.,	1917	28.00	Feb.,	1921	34.00	21½%
Iron (basic), per ton	13.00	53.00	July,	1917	17.06	Feb.,	1922	25.00	47%
Oil (Penn. Crude), per bbl.	2.50	6.10	Jan.,	1921	2.25	May,	1921	3.25	44%
Cotton, per lb	.14	.42	April,	1920	.12	May,	1921	.22	83⅓%
Wool, per lb	.23	1.00	March,	1920	.33	Oct.,	1921	.54	63⅔%
Wheat, per bu	.90	3.05	Sept.,	1917	1.10	Oct.,	1921	1.18	7¼%
Hogs, per cwt	8.00	23.00	Sept.,	1917	6.00	Nov.,	1921	11.00	83⅓%
Sugar (raw Cub. 96°), per lb	.03	.22	May,	1920	.03	Aug.,	1921	.05	66⅔%

Foreign Trade and Securities

Financial Europe As I Saw It

England, Her Present Financial Status and Outlook—Why the English Know So Much About Foreign Trade

By MAX GOLDSTEIN

This article is the first of a series on "What I Saw in Europe" by Max Goldstein, who was the Foreign Representative of THE MAGAZINE OF WALL STREET in Europe during the past two years. In this capacity he collected much first-hand information on conditions in England, France and Germany. His articles are more in the nature of the impressions of a trained observer than complete statistical reports on the countries which he visited, and are interpretative rather than merely factual. The next article will deal with France.

IF I were asked to size up in one graphic instant my impressions of England, I should immediately think of my first day in London, when I stood among the whirl of traffic in Piccadilly Circus. From the converging streets came an incessant flow of automobiles, motor-buses, bicycles, pedestrians, shouting, blowing horns, swerving from one side to another of the road, the traffic "bobbie" either not in sight or else helping an old lady across the street, no strict traffic regulations, a huge boiling hubble-bubble. And yet, slowly, without accidents, the chaotic mess moved forward and sorted itself out to its several destinations.

England itself is just such a forward-rolling machine, swung now this way and now that, with a dozen hands clutching for the steering-wheel, with a lack of directness and logic that would drive a Frenchman crazy—and yet it moves forward, without overturning or going back.

Whenever Americans discuss the financial position of England the question is sure to come up at some point, "Can America in the long run take away the financial leadership of the world from England?" In a different form and from a different point of view the question excites as much interest among English men of affairs. The question, and an analysis of the factors that must be taken into account in answering it, give the necessary perspective for a view over the financial status of Great Britain in general.

The forty millions and more of England's population are supported, essentially, by importing raw goods and exporting finished goods. They also fulfill other important functions—they transfer goods which they neither produce nor consume, they supply capital to other nations, insure ships, etc., but in a broad survey it may be said that their rôle as a producer of finished goods for foreign trade, rather than as financial or commercial agents, is the foundation of British prosperity.

In America the situation is not quite the same. We also produce goods, largely raw materials, for foreign trade, but as a result of post-war conditions our exchange is the strongest in the world, and the largest supply of investment capital seeking an outlet at profitable and relatively safe rates of interest is to be found here. From the international point of view, in spite of our vast output from fields and mines and factories, we are to the European the big banking nation of the world.

A banking nation has different interests from an industrial nation. In England today the big business man is more interested in finding an outlet for his goods than for his money, while in America the domestic trade is something like nine times as important as the export trade, and the flood of accumulated, high-exchange dollars, unable to find a suitable outlet in foreign investments, has reflowed into domestic securities with the result of advancing the prices of all investment bonds and high-grade stocks within the last two years.

English bankers and business men have told me repeatedly that the real reason for England's great banking strength at the present time was that industry was so dull as a result of the falling-off in England's foreign trade that the stocks of investment capital thus released were driven away from business, now unattractive and sluggish, and went to strengthening the position of the banks, the currency, and the foreign exchange position of the pound.

England Wants to Revive Foreign Trade

England today is therefore looking, first of all, for a chance to revive its foreign trade, so that its industry may revive and in turn absorb its capital, and the great lines of English commercial and financial policy are determined by this situation.

For instance, strange as it may sound, there is a strong movement in England against carrying deflation any further than the present level of 80% above pre-war prices. The arguments advanced are that the English pound is already too valuable, compared with most foreign currencies, and that if its purchasing power increased still further internally it would become still more difficult for the foreign purchaser to buy English goods. In addition, it is pointed out that if England is to redeem bonds and notes issued on an inflated price level by means of taxes raised at the pre-war level, it may find it difficult or impossible to balance its budget.

Were England primarily a banking country, such reasoning would be rejected at once, and the effort would be to make the resources of the banks, measured in currency units, as valuable as possible by carrying deflation as far as possible.

The reparations policy of England, contrasted with that of France, for instance, is also more readily intelligible from this point of view. France, as can be shown more fully later, is essentially a banking country, rather than an industrial one. Its interest, therefore, is to strengthen its fiscal position, its currency position, and its gold ratio as much as possible, without regard to the effect of such a policy on its foreign trade. For this reason it is especially keen on collecting indemnity payments—in gold—from Germany, even if in so doing it brings Germany to a state where it has to cut its imports down to a minimum.

England, on the other hand, would sooner have Germany a big customer than a big debtor. It has the choice of either collecting gold from Germany, and leaving it unable to buy British goods, or foregoing its part of the reparations, and thereby leaving the English banking system weaker, with a lower gold radio, but favoring the exporter who will find it easier to sell to Germany.

Banking vs. Manufacturing Interests

A similar attitude is expressed by English business men to Russia. They, too, have lost large amounts of money, but they would sooner lose money than lose customers in their efforts to get their money back. Here again, where the country has to choose between its interests as a banker and its interests as a manufacturer and exporter, it sacrifices the former and pursues the latter.

British men of affairs to whom the writer has spoken have declared that if necessary they would prefer to make a

clean slate of the whole pre-war British investment in Russia, as well as of the whole British claim on German reparations, if they could only get Russia and Germany back to buying as much of English goods as they did before the war.

From this English preoccupation with foreign trade comes the fact, contrary to what we are usually told, that the English are the least insular people in the world. As you walk down Fleet Street toward the city, the big business district, passing the offices of the New Zealand *Herald*, the Hong Kong General Assurance Co., Ltd., the Cape Town Mercantile Bank, and so on, you feel as if you were at a keyboard from which the business of the world is run.

This has a tremendous bearing on foreign banking and investments. I have scarcely met the Englishman who did not have a son or brother or cousin interested in some way in a cotton plantation in India or a nitrate deposit in Chile or a rubber plantation in the Malays or who was running a branch of a London bank in Madagascar. More than the Colonial empire, this activity and willingness to tackle new territory has opened up vast fields for British business, and if we are to reckon "invisible assets" in our balance-sheet of England, they surely ought to take an important place.

If America is ever to take the front rank as a financial power, it is the interest in international affairs and adventurousness in doing business away from home characteristic of the Englishman that it needs, more even than foreign branch banking or universal dollar exchange or foreign investments.

Government Cooperation

Another thing one notices about British business is its ability to cooperate with the Government, apart from schemes of nationalization or socialization. A striking instance is the coal industry, which for all practical purposes is so stabilized as to provide fairly steady employment for the miners throughout the year, approximately the same number of hours per week—except, of course, when they decide to vary the monotony of things by going out on strike. Compare this with our haphazard system where the miner is out of a job in summer and is worked inhuman hours, twelve or fourteen a day underground, during the winter.

Or the recent borrowings of the London Underground system for new building and extension may illustrate the point. Without serious talk of municipal or Government operation, the system is borrowing its money under a Government guarantee of principal and interest, which, of course, enables it to get it at much lower rates.

The attitude of the British workingman toward radical ideas is curious. Fundamentally, "'e knaows 'is plice," as he says, and would be the last person in the world to throw the general manager of his works out of his job and take his place himself on the ground that all men are equal, which is what some radicals want. He also has a decided dislike of revolutions—"a bloody mess," one said to me, with unintentional accuracy—and even if times are bad and general conditions are to blame, he takes a philosophical attitude toward things. The trouble comes only when he is convinced that some individual person is trying to do him—some rent-grabbing landlord or corrupt politician or sweating employer. Such a thing as a general "discontent of labor" with the entire existing order, or a desire to break up things as they are down to the root in favor of some distant Utopia, are quite un-English.

The foundations of British business, so far as I have observed them, are sound, in this sense. Whether the financial basis is equally so is a question that was brought into great predominance in recent months with the successive declines of the Bank of England rediscount rate, culminating some days ago with the reduction to 3%, the lowest of any central bank in the world. The average Englishman's idea of the whole process is that while the financial position looks extremely good, other phases of it develop as one analyzes a little deeper.

A Thin Money Market

The point seems to be that while there is a plentiful supply of money for business at the rate it is being carried on now, should there be a decided turn upward involving a need of more capital, an underlying money stringency would be revealed. Brokers have told me astounding figures of the percentages of new flotations left in the hands of syndicates—certain big, apparently popular issues were left to the extent of seventy and eighty per cent.

They also point to the big spread between the low rates for call and time money and the low bank rate on the one hand, and the relatively high yields on good investment securities on the other. The Government-guaranteed bonds referred to above, for instance, paying £4 10s. per £100, maturing in 1972 but redeemable from 1942 on (a fairly unlikely contingency), are selling at 94. In general, the very best English securities may be bought to yield a full point more than corresponding American ones, and in semi- and quite speculative issues the difference is even greater.

This indicates opportunities to the American investor of obtaining good yields for long periods of time, although bonds have had an advance on the London market a good deal like American bonds, and the greatest part of the speculative opportunity based on the rise in sterling has been lost. Certain high-grade investments payable in sterling are still in a very attractive position, however.

Of course, in this connection it must be remembered that for the most part these securities are not traded in on the New York market, and that the technical difficulties of trading on a transatlantic Stock Exchange must be reckoned with.

Considering England as a whole, I found it remarkably well recovered from the war, financially, socially, and industrially, with a will to expand and a certain solidity and composure which make it a power to be respected, as competitor or as collaborator.

Money-Making Opportunities in Canadian Securities

A Review of the Canadian Markets—The Trend of Stock Prices—Some Particularly Attractive Issues

By B. EVELYN WHITE

CANADA'S problems and Canada's opportunities are in most respects similar to those of the United States. Alike are their problems in development and distribution, alike too are their opportunities for success, except that Canada has not advanced so far along the path as her richer and more populous neighbor. Canada, however, has her compensating advantages. Her forests are, comparatively speaking, untouched when compared with those of the United States, her water powers immense in volume and her mines, as yet almost undeveloped and therefore offering greater potential opportunities for success.

The only important hindrance to Canada's advance is the railroad incubus. The United States saw, rather late in the day, perhaps, the impossibility of Government ownership together with efficiency of operation. Canada is beginning to see and, it is probable, will act so as to secure a divorce on the grounds of incompatibility of temperament.

Canada is denied the possession of cotton fields and groves of citrus fruits but she grows the finest wheat and produces grades of paper equal to the world's best. Her climate is eminently suited to the pro-

ANALYSIS OF THE BETTER CANADIAN STOCKS

Stocks	Price Range 1919 High	1919 Low	1920 High	1920 Low	1921 High	1921 Low	1922 High	1922 Low	Earnings 1918-19	Earnings 1919-20	Earnings 1920-21	Present Div'd. Rate	Approx. Price	Return on Present Price (%)
1—PAPERS:														
Abitibi Power & Paper	292½	48	340	46½	57¾	22	57¼	30	19.88%	$14.45	11.07%	0	57	...
Howard Smith Paper Co.	151	65	167	77½	110	63	70	60	11.04%	19.52%	19.59%	6%	69	8.69
Laurentide Co.	228	102	125	81	95	62	89	73	19.00%	5.21% (6 months)	15.66%	6%	87	6.89
Spanish River Common	90	17½	125	77	89½	44	90	53½	11.22%	22.54%	24.54%	7%	87	8.05
†Spanish River Preferred	129	63½	149½	84¼	95	51⅞	98	67⅛	22.76%	38.64%	32.79%	7%	95	7.37
Price Bros.	260	150	385	250	42¼	24	46½	33	23.48%	23.05%	(Deficit $161,620 after div'ds.)	2%	41	4.88
2—TEXTILES:														
Dominion Textile	125⅞	100½	146½	109	142	104	165	133	31.19%	22.08%	*21.67%	12%	160	7.50
Canadian Converters	71	45	80	55	74	58	80	69¾	9.07%	12.80%	9.89%	7%	84	8.33
Canadian Cottons	98	67	100	71	85	64	98	79	19.10%	23.24%	*9.35%	8%	94	8.52
3—POWER:														
Montreal Light & Power	92½	84½	90	76	89½	77¾	92½	85¼	5.58%	5.60%	5.87%	5%	95	5.26
Ottawa Light & Power	87	75	81	70	70	65	87	70	6.27%	6.12%	9.90%	6%	87	6.89
Laurentide Power	..	..	63	52	75	53	85	70	2.96%	3.84%	5.43%	5%	85	5.88
Shawinigan Power	127½	114½	119½	97½	109½	100	107½	102½	7.47%	7.29%	7.95%	7%	108	6.48
Montreal Tramways	160	114¾	155	125	151	105	165	142		(None issued)		10%	165	6.06
4—INDUSTRIAL:														
Steel Co. of Canada	86½	58	88¼	55	65	42½	76	52	14.58%	13.92%	(Deficit after div'ds $442,448)	7%	75	9.33
Dominion Glass	73½	44½	69¼	57	64	50	68	54	6.5%	9.5%	8.1%	6%	68	8.82
									(After	preferred	dividends)			
5—MILLING:														
Ogilvie Milling	298	214	280	175	214	165	250	180	59.70%	32.76%	*19.80%	12%	244	4.92
Lake of the Woods	229	157	225	130	155	128	167½	140	23.69%	16.90%	*13.80%	12%	160	7.50
St. Lawrence Flour	151	87½	139½	59	74¾	48¾	88	65½	15.92%	13.45%	*6.70%	6%	80	7.50

REPRESENTATIVE BONDS

	Due	Range 1921		Range 1922	
Canadian Cottons 5s	1940	77	80¾	85	..
Canadian Locomotive 6s	1951	82	88½	90	92¼
Cedars Rapids 5s	1953	86⅞	97	95	97½
Ogilvie Milling Series "C" 6s	1932	93	96	100	102½
Quebec Ry. L. H. & Power 5s	1937	60	69	65	72½
Steel Co. of Canada 6s	1940	92	96½	98¼	98¾
Wayagamack Paper 6s	1951	69	76	71¾	80

* After preferred dividends. † Cumulative and participating when and if more than 7% is paid on common.

duction of cotton textiles, along much the same line of longitude as the New England Mills. Her water powers, especially in the Province of Quebec, are in the initial stages of a vast development which will be largely financed by capital supplied by U. S. financiers, and the resulting power supply will largely assist in the development not alone of Eastern Canada but of New England as well.

To this article there is appended a list of some of the better Canadian stocks listed on the Montreal Stock Exchange. With one exception all the stocks enumerated pay dividends, with, in many cases, good possibilities of increases. The only non-dividend payer, Abitibi Power & Paper, is so well known in the United States and its potentialities so well recognized that no excuse need be made for its inclusion, while unofficially it is estimated to be presently earning in excess of 10% and a dividend within the next six or nine months may confidently be expected. **As a group the paper stocks are slated for an advance of 20 to 25 points by the fall on the vastly improved trade position of newsprint.**

The power stocks mentioned are all equipped in a modern manner and at a cost per horse-power unattainable at the present time.

Provided that the United States remains dry and continues to find Montreal an agreeable spot for conventions, the securities of the National Breweries Company with its large and increasing earnings may appeal to American investors.

Among the higher-priced stocks Dominion Textile at around 160 and Ogilvie Flour Milling at 240 are especially attractive on account of their large earning power and the possibilities of a split up, the former on a two for one basis with the new dividend policy likely to be on a 7% basis or 14% on the present stock, while a three for one split in Ogilvie is talked of with the dividend policy uncertain. Dominion Textile had a working capital of $6,398,471.57 on March 31st and a surplus of over $5,000,000 was shown in the annual report. Capitalization and bonded indebtedness amount to $15,418,100, of which $5,000,000 is common stock. Ogilvie has $7,877,884 working capital, $1,709,886 surplus and $6,850,000 bonded indebtedness and capital stock, of which $2,500,000 is common stock and in addition has a "rest" account of $2,500,000.

Montreal and Toronto Markets

When it is considered that, on the one hand, the New York market has been steadily advancing, without any material setback, since the middle of August and that in many cases values have risen one hundred and two hundred per cent., the opportunities in the Montreal and Toronto markets appear worthy of careful consideration. In the case of our Canadian markets, while advances have been large in certain groups, amounting to over 100% in the case of some of the paper stocks, there are many of the better stocks in the various groups where the advance has so far been comparatively restricted.

American interest in Canadian stocks shows a steady gain month by month and a brief outline of some of the better stocks may be acceptable to many of the readers of the MAGAZINE OF WALL STREET.

The "Papers"

The advance in the "papers," especially in the case of Abitibi, has been so large as to rob that group of much of its attractiveness, but Howard Smith and Price Bros. are the exceptions that prove the rule. The former is selling much out of line at below 70, and Price Bros., in spite of a poor report for 1921, is now doing much better and is very attractive for a long pull.

Howard Smith Paper Mills is capitalized at $7,000,000, consisting of $4,000,000 common and $3,000,000 preferred, of which $1,500,000 is outstanding. In addition there are outstanding $800,000 6% first mortgage bonds and $3,500,000 First Refunding Mortgage Bonds, together with underlying bonds of the Toronto Paper Company outstanding to the value of $689,800.

The common stock sold up to 167 in the paper boom of 1920 as against the recent low of 60 and a present price of around 69. The company is a consolidation of the Toronto Paper Company, which manufactures high-grade writing and book papers; the Beauharnois Mill, which manufactures tub-sized and loft dried papers; the Crabtree Mill, which produces Sulphite Bond papers, and the Cornwall Mill, producing Sulphite Pulp.

The company is now producing an excellent grade of blotting paper—the first produced in quantity in Canada, as well as Bristol Board.

(*Continued on page 552*)

Money, Banking and Business

Business Awaiting New Developments

Prosperity Hampered in Its Advance by Labor Disturbances—All Underlying Conditions Sound—Credit Strong, Demand Vigorous, Agricultural Outlook Good

By H. PARKER WILLIS

JUDGMENT of the business situation at the opening of August is rendered exceptionally difficult by the sudden development of strikes which, reaching a more or less acute stage within a short period, threaten the favorable outlook that has heretofore existed. The pronounced effects of the rail and coal strikes have not yet made their influence fully apparent in the statistics relating to business conditions. Distinction must, therefore, be drawn between the immediate and the ultimate business situation. Statistics show clearly what is reasonably to be expected in the absence of industrial disturbance so prolonged as to cause reversal of the situation. The facts as to current business conditions on the other hand indicate that industrial prospects, however favorable, must be distinctly discounted unless the elements of trouble can be scattered and prevented from producing further harm.

Credit and Banking Sound

The credit and banking situation, the country over, stands out as conspicuously strong—probably stronger than ever before, and certainly stronger than the best welfare of the country demands. Not only has the reserve power of the reserve banks continued to increase by reason of a further inward movement of gold into the country, but the farming districts have steadily maintained the progress toward liquidation of frozen loans, which was already a notable feature of the credit position prior to midsummer. That this great reservoir of unused lending power should be regarded as affording good warrant for further reduction of discount rates below the level already reached is perhaps not very strange, yet has its own possibilities of danger. Rates are now lower in this country than anywhere else in the world—when comparisons are made on a similar basis. The fact that the Bank of England lately cut its official rate to three per cent is by some regarded as a good reason for further limitation of our own rediscount charges. This, of course, overlooks the fact that, on comparable paper, the rate in this country is already below that charged by the Bank of England, our discount rate on acceptances having gone to 2½% more or less, at times. The charge for corporation credit, though in some branches apparently still fairly high, evidently does not appear so to foreign borrowers, as seen by the fact that large offerings, not only of foreign governments, but also of foreign industrial and utility bonds, continue to be sold on this market. The accompanying diagram shows how the borrowing power of American firms and business enterprises has increased within the past few months, the index now standing at 4.52, and the developments of the past thirty days show that the movement toward cheaper long-term funds has as yet by no means come to an end but is still continuing, notwithstanding the various business discouragements of the movement.

Prices Still Rising

Attention was called a month ago to the noteworthy character of the price advance then in progress, and which had within two months produced an increase of 10 points or more in the current average of wholesale values. This movement has been less pronounced during the past month, but is still in progress. Government wholesale price indexes show 2 to 4 points rise, while some private estimators make the charge even more positive. The graph shows the month's movement of prices in Bradstreet's index in comparison with that of recent months and makes it clear that the price level at the latest figure of 12.10 has not as yet by any means reached a position of final stability. On the whole, business observers are disposed to regard the upward movement of prices as a wholesome or encouraging symptom. They decline to admit the existence, thus far, of any marked inflation, and regard business values as merely passing through a phase of readjustment to what they regard as permanent or normal conditions. Nevertheless, the advance of prices is unquestionably symptomatic, especially where studied in connection with the discount rate outlook. It affords a valid reason, along with others, for believing that carelessness or hasty action growing out of overcheap money conditions might react unfavorably on the price level. This is undoubtedly a danger which will require to be guarded against.

Productive Conditions

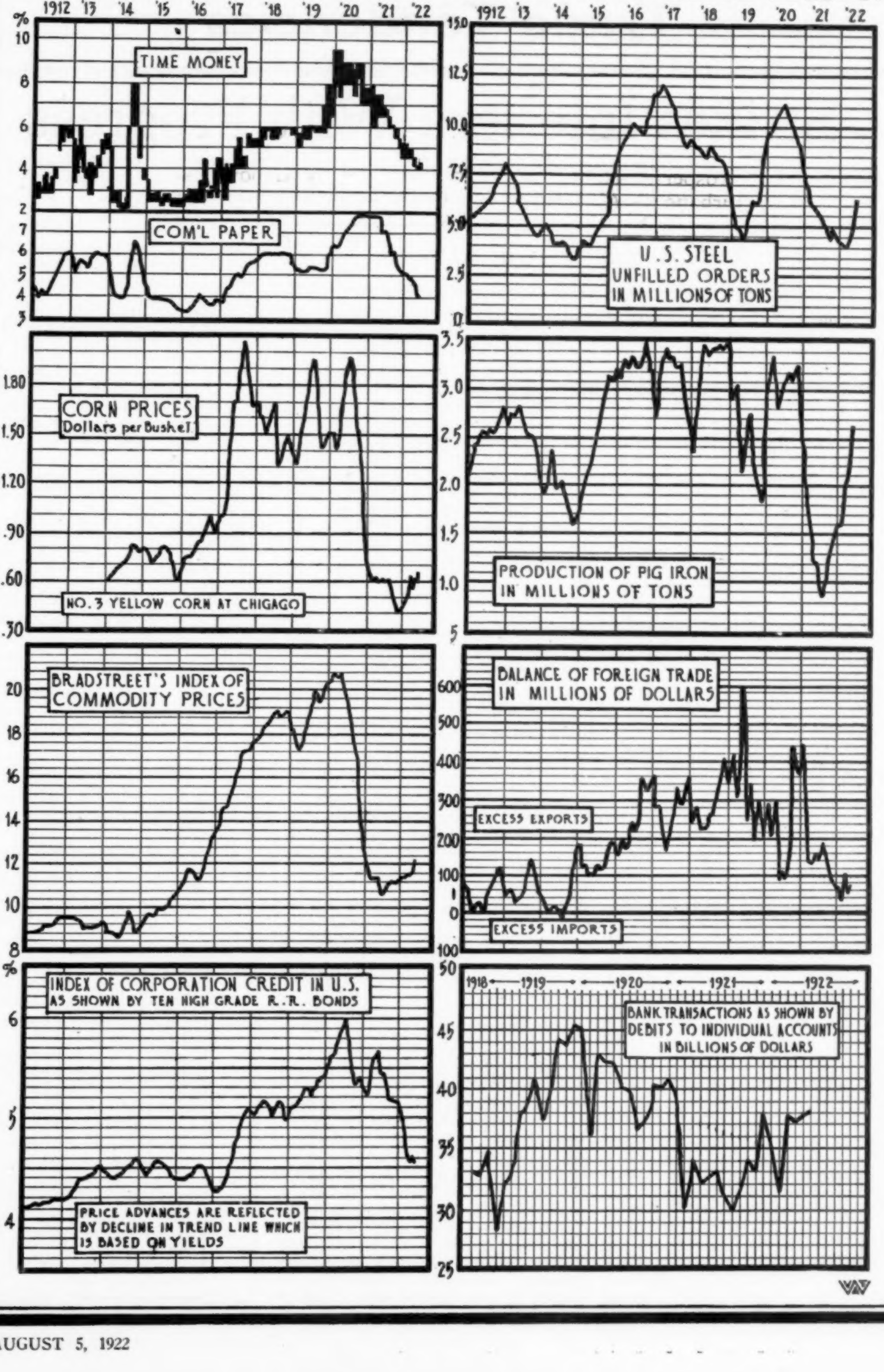
Slight reactions in production, which have already set in here and there, are to be ascribed almost wholly to fuel shortage, with corresponding reduction of activity at various plants. In the steel and iron industry this situation is already becoming evident, although it does not yet show itself in any marked way in the graphs for metal production, the latest figure for unfilled steel orders being 5,600,000 tons. But, as already observed, the danger is present, none the less, and can be averted only through the improvement of strike conditions which evidently threaten to compel various industries to shut down or reduce output. The question may be seriously raised whether—even if all industrial disturbance could be at once terminated, it would not still be true that fuel supplies have been so greatly depleted as to cause serious disturbance or check to production in many lines during the coming winter, even with the most active effort to avoid such a situation. Doubtless the features now being vigorously taken by the administration to secure good distribution of cars will keep such dangers or possibilities to a minimum, yet they are present, and it is to be feared that not a few businessness, including many of the less "essential" sort, will be kept steadily upon the ragged edge. Early suppression of labor disturbances will, of course, help materially in avoiding such curtailment of production, but it is clear enough that there has already been some severe check to business enterprise whose effects cannot be wholly overcome, in spite of strong demand for merchandise, and of activity of production carried to the extent that labor and fuel conditions as well as transportation will permit.

Consumer Anxious to Buy

An encouraging factor in the situation is seen in the obvious anxiety of the consumer to buy, certainly to the extent that favorable conditions are offered. Wholesale and retail trade indexes indicate a very strong and persistent demand for goods, and a better turnover, in various parts of the country than has existed for a good while past. This is partly due to the full volume of employment. Reports from all parts of the country indicate that, outside the branches of industry affected by strikes, unemployment has fallen to the lowest ebb for a good while past. It is partly also due to the excellent outlook in the farming districts and the promise of good yields in most of the principal

(*Continued on page 556*)

THE TREND OF MONEY, PRICES AND PRODVCTION



Trade Tendencies

Strikes Interfere With Progress

Stringency in Fuel Supplies Causing Industrial Setback—Fundamental Trade Conditions

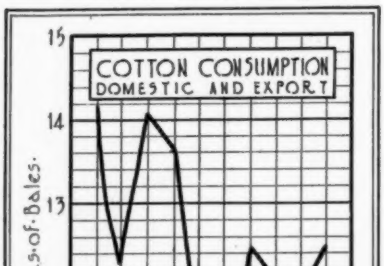
CONDITIONS IN THE COTTON MARKET

Strong Basic Influences

UNTIL the season has advanced sufficiently to admit of more accurate estimates of this season's yield, the raw cotton market may be expected to be dominated by news relating to crop developments. Certain factors in the situation are, however, beginning to be established with a degree of certainty which justify the strong price tendency that has been characteristic of the movement of quotations since our last review.

It is fairly evident that this year's acreage will run about 10% ahead of the area planted in the previous year, a result that is not surprising when consideration is given to the improved position of the farmers and the prospect for better crop prices this season. In spite of the increase in acreage under cultivation, however, the yield is not coming up to earlier expectations and the last Government estimate places the probable crop at something over 11 million bales or one-quarter of a million less than had been generally anticipated.

This estimate is, of course, susceptible of revision in either direction and the true condition may not be definitely determined before August. Continued hot weather is favorable to earlier maturity, with consequent lessened damage from weevil inroads, but the weather may become perverse and the critical period is still to be passed. Meanwhile, it is probable that the boll-weevil will do a considerable amount of damage to a crop that would otherwise have yielded splendidly, and in spite of conflicting reports as to the extent of the infestation, the pest will remain a serious menace until the crop matures. Furthermore, it would presume a rather remarkable increase in the forecasted yield to produce anything more than a barely adequate supply to meet world requirements.



The total domestic and export demand for American cotton is estimated between 12 and 13 million bales for this season's crop, which compares with a combined foreign and domestic consumption of 12,153,000 bales last year. There is every prospect of heavy demand from abroad which, coupled with the growing home consumption, indicates a probable stringency in consequence of the very real possibility of a short crop. Last year's heavy carry-over of cotton has already been cut practically in half and surplus cotton has almost disappeared, which adds to the seriousness of the situation from a buyer's standpoint.

Appearance of the last Government report was the signal for a sharp rise in the market, the price level reaching a new high in the early part of July. Some recessions have occurred since then, and while there appears to be something of a disposition to adopt a waiting policy until the situation is more clearly defined, fundamental conditions point rather strongly to an ultimate further appreciation in values.

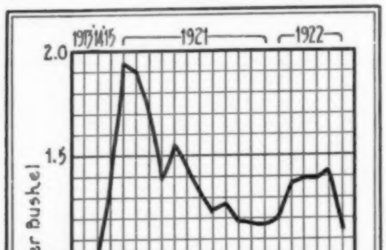
CONDITIONS IN THE WHEAT MARKET

Crop Outlook Satisfactory

The Government's latest estimate of this season's wheat crop forecasts a yield of 817,000,000 bushels, which is a reduction of 38 millions from the June estimate. With a continuation of present favorable weather conditions, the indications are that this year's crop will be somewhat larger than last year and will probably rank as the sixth largest on record. It appears that the yield of winter wheat will very likely fall under last season's total, but this decrease has been more than offset by the outlook for a larger yield of Spring grain.

The crop prospects of Canada are generally favorable, although acreage planted will probably not measure up to last year's total and a slightly smaller crop is therefore indicated. Carry-over of wheat from the 1921 crop in the United States has been estimated at some 32 million bushels less than last year, but visible stocks, on the other hand, as expressed by monthly totals, are considerably larger. While estimates of the season's probable yield are, of course, susceptible of further revision, and while the crop has not yet progressed far enough to maturity to be unaffected by adverse weather conditions and other influences, it is reasonably certain that there will be a sufficient supply of this important commodity for domestic requirements.

The same condition with respect to carry-over in this country exists in Australia and The Argentine, where last year's left-over supply is comparatively



light. The exportable surplus of these two countries and India is estimated at some 185 million bushels, which added to that available from the United States and Canada brings the world's total export supply to 670 million bushels. With the probabilities favoring a smaller crop in Europe combined with reasonable belief that consumption on that continent is growing, it is entirely logical to expect greater dependence upon imports this year than last, when import requirements reached 640 million bushels.

It must be admitted that current export trade has been rather dull, and, so far as a comparison with monthly movements in the previous year are concerned, the figures to date are disappointing, but European needs suggest a much larger export demand in coming months. Domestic buying of the milling interests has likewise been characterized by only moderate activity in recent weeks.

Prices have gradually recovered from the reaction which developed in the speculative markets about the middle of June. With the outlook for ample supplies for home needs and no present indications of an excessive surplus, the ultimate future trend of prices would appear to be largely governed by possibilities and actual developments in the export situation. **Since European needs seem to be rather evenly balanced against the world surplus with strong indications of principal dependence upon supplies of North American grain. Current dullness in the export movement should sooner or later be replaced by greater activity and a resultant stronger price tendency. The situation generally suggests a market much more favorable to owners of wheat than to consumers, from a price standpoint.**

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1922 High	1922 Low	Last*
Steel (1)	$35.00	$28.00	$35.00
Pig Iron (2)	25.00	17.75	24.50
Copper (3)	0.14	0.12⅝	0.13⅞
Petroleum (4)	3.50	3.00	3.00
Coal (5)	4.25	1.75	4.25
Cotton (6)	0.22⅞	0.17	0.22
Wheat (7)	1.46	1.11	1.12¾
Corn (8)	0.78¾	0.47	0.65⅛
Hogs (9)	0.10⅝	0.08	0.10¼
Steers (10)	0.09½	0.08½	0.09⅛
Coffee (11)	0.11⅛	0.09¼	0.10¼
Rubber (12)	0.20½	0.14¼	0.14¾
Wool (13)	0.57	0.45	0.55
Tobacco (14)	0.20	0.20	0.20
Sugar (15)	0.05¼	0.03½	0.05¼
Sugar (16)	0.06⅞	0.04¾	0.06¾
Paper (17)	0.03¾	0.03½	0.03¾

* July 26.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Sight, Chicago, $ per bushel; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

THE TREND

STEEL—Production hampered by strike conditions may suffer further restriction unless coal mining is resumed shortly. Prices appear stable. Fundamental condition of industry remains sound.

METALS—Seasonal dullness slows demand for copper. Price tends to hold at high level. Lead and zinc in strong statistical position. Tin is firmer.

OIL—Price cuts follow continued overproduction. Heavy demand for gasoline unabated but easier price tendency follows reduction in crude.

LEATHER — Shoe production increasing. Leather shows definite improvement as business increases. Outlook generally encouraging.

SUGAR—Steady expansion in domestic and export demand carries raw and refined sugar to high levels for the year. Trend should continue upward in view of favorable statistical position.

TEXTILES — Activity in distributive lines generally marked by conservatism. Cotton goods output still affected by unsettlement in labor situation. Silk production increasing.

TIRES — Surplus stocks increasing. Production likely to slow down with seasonal decline in demand. Industry in unsettled state as price-cutting continues.

SUMMARY — Strike difficulties have rendered the immediate course of business uncertain in some lines but progress continues to be reported in many directions, and, while the labor difficulties carry potentialities for serious dislocation of business if long continued, progress should generally be resumed provided current disputes are settled with reasonable dispatch. Price reductions reflect over-production and keen competition in some industries, and conservatism with respect to commitments is still in evidence. In spite of disturbed conditions, confidence in the business structure is maintained.

OIL

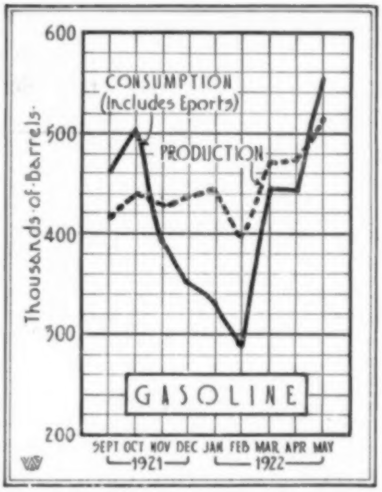
Prices Unsettled

The oil industry has been unsettled by a rapid succession of cuts in the price of crude oil during the last few weeks. Continued over-production has proven too great a burden for the price structure. Consumption of gasoline has been running at a high rate, but the demand for other products has been rather disappointing with the result that the former was unable to carry the load.

Oil has been going into storage in large quantities, but storage facilities have their limits and the steadily mounting total of crude oil on hand is unfavorable to a policy of continued building of new capacity. Recent price reductions will undoubtedly result in curtailment of drilling but it is difficult to determine at this time whether the cutting will have the desired effect in restricting output sufficiently to stabilize the industry. The immediate outlook is for unsettlement, although it is quite probable that the worst phase of the readjustment has been seen.

Development in the Mexican fields are the center of considerable interest at the moment since a sharp reduction in imports of petroleum from that country would react very favorably on the situation of domestic producers. Reports of serious inroads due to salt water have been making a frequent appearance, and while it is pertinent to call attention to the possibilities involved by such conditions, it must be remembered that conjecture as to the ultimate outcome is more or less pure speculation.

The price of gasoline has been cut following the reduction in quotations of crude oil, which, incidentally, are now lower than they have been in many months, but the chances are that no very material cutting will develop. Gasoline consumption may be expected to continue



heavy during the summer and it is generally anticipated that stocks of this commodity will show a very substantial decrease before the season closes.

From the standpoint of earnings, it would seem that those companies who are engaged in refining and distributing gasoline have little to fear for the next few months.

STEEL

Interest Centered in Strikes

There can no longer be any doubt as to the effect of the coal strike upon the output of the steel and iron industries. The railroad shopmen's strike has added its restraining influence by interfering with the proper movement of fuel supplies, and the steel mills, which have been struggling against the strangling effect of the coal shortage with a remarkable degree of success, have begun to feel the pinch of the slowly tightening fuel situation. While the actual extent of the difficulty has not yet reached serious proportions, there is no denying the possibilities for evil. In fact, there has already been some decrease in the rate of production in spite of the keen desire to effect deliveries.

The iron makers appear to be affected to a greater degree than the steel mills, as several furnaces have already gone out of operation and prices of coke are steadily moving upward. It is, of course, impossible at this writing to foresee the final outcome of the labor troubles, but it is apparent that early settlement is to be urgently desired if the industry is to

(*Continued on page* 559)

Bonds

Are Bonds High Enough?

What Caused the Upswing—Influential Factors of Today — How Investors Should Proceed

By H. I. PERRINE

IN view of the remarkable advance that the bond market has had during the past year, investors are now raising the question as to whether the rise has not gone far enough. Many of them have seen advances of from 10 to 15 points in the securities they hold and naturally they are not only unwilling to add to their holdings on top of the rise, but they are seriously considering the advisability of disposing of some of their bonds at the present level. In order to help investors determine just what policy they should adopt relative to the bond market at this time, let us review briefly what has taken place during the course of the past twelve months and see if the points brought out do not give some clue as to the future of bond values.

In June of last year the average price of forty representative bond issues stood at just a trifle above 75. With the exception of the 1920 year when the average went three points below this figure, this was the lowest level reached by bond quotations in a generation. From June, 1921, to May, 1922, there was an almost perpendicular rise which carried the average up to about 89½, a gain of almost 20%. In May and through the most of June, there was a period of backing and filling, but in the latter part of June the advance was resumed and now the average has broken through into new high territory. Based on the theory of accumulation, this is evidence in itself that a period of still rising bond prices lies ahead of us. But let us consider the matter from another view-point.

The Controlling Influence

In the last analysis, the controlling factor underlying bond values is the ruling rate for money. Given easy credit conditions, bond prices must inevitably seek a higher level. This was the main influence behind the phenomenal advance of the past twelve months. At this time last year the rate for sixty-day loans was 6½%. The Bank of England minimum discount rate was 6%. In May of 1921, the New York Federal Reserve Bank rediscount rate stood at 7%. Today there is plenty of time money available at around 4%. The Bank of England rate is now 3%, the lowest since 1914, four cuts having been made in the same since the first of this year. The rate of the New York Reserve Bank is now down to 4%. All of this, of course, is of no interest to us, as far as the future course of bond values is concerned, but it is of value as an indication of the close connection that exists between the credit situation and bond quotations. The point for us to determine, therefore, is whether or not money rates are to continue easy.

In view of the sharp recession in rates that has taken place during the past year, it would seem too much to expect that money will become a great deal cheaper than at present. It is probable that there will be further cuts in the near future in the rediscount rates of the various Federal Reserve banks to bring them in line with other reductions. So far as time money and commercial paper are concerned, however, it is very doubtful whether rates will get much below 4%, as this would bring about competition with Government securities.

At the same time, it is generally agreed that there is nothing in sight at this time that will tend to carry the money market to a much higher level. The only factor that would cause a rising tendency in money rates of any consequence is a business revival calling for the employment of considerable capital in connection with the financing of pay-rolls, raw materials and other essential business expenses of a similar character. The prolonged rise in the stock market since the summer of 1921 is taken by many as an indication that such a business revival is close at hand, but it does not appear likely that the turn will come so quickly as to make a heavy drain on capital right away. It is more plausible to expect a gradual resumption of business activity along safe and sane lines, and if such is the case, there will be no great disturbance in the money market.

Reasoning along these lines, therefore, we come to the conclusion that the rise in the bond market is not yet over and that prices will be carried to still higher levels.

Time for Discrimination

The market has now reached a stage, however, where careful discrimination is necessary if full advantage is to be derived from the price movement. Prices of the highest grade bond issues, as is well known, are governed almost entirely by the fluctuations in money rates. The interest charges on the gilt-edged issues are so well covered by earnings that a general depression in business does not affect the earning power to an extent where payment of interest is in doubt. Such bonds decline in a period of depression, not because of the falling off in earnings sustained by the issuing companies, but almost solely because of the rise in interest rates. Consequently, they do not decline so much in price as the second grade and more speculative issues.

The latter issues, however, are subject in a falling market to the double influence of increasing interest rates and decreasing earning power. Not being so well protected from the standpoint of earnings as the bonds of the other class, their margin of safety is narrowed by a moderate decline in the surplus available for interest charges. Therefore, holders of such bonds invariably sustain a larger percentage of loss than holders of the higher grade issues.

But the rule works both ways. A study of the price movement discloses that bonds of the first class up until now have staged a more rapid recovery than those of the second class. This is due to the fact that they have been influenced to a greater extent by the return to normal of interest rates and are gradually getting back to where they belong, regardless of the fact that earnings are still much below normal. The second grade issues, on the other hand, have been lagging behind for the reason that they are still influenced by the lack of earning power. They have felt the impetus of lowering money rates, but they will not have their big advance in price until a recovery in earnings takes place. This should come about with the revival in business that is anticipated in the near future.

Possibilities in Speculative Issues

Those, therefore, who are contemplating bond purchases at present, should pay close attention to the possibilities presented by some of the so-called speculative issues. It has been apparent to close observers of the bond market that activity in recent sessions has centered on bonds of the second class. High-grade issues have stood still, while speculative issues have shown a tendency to advance. It is evident that bond buyers are already beginning to discount the prospects of better earnings, and this aspect promises to become an important feature of the market

of the next few weeks. Continued low interest rates and improving earnings should result in substantial advances throughout the speculative list. This is true particularly of bonds of railroad properties, whose credit is not of the best.

There is one other important factor in the investment situation at present that bondholders should not overlook. A great many high interest bearing bonds are now selling at not far from their callable prices and many companies are taking advantage of the low money rates to refund these obligations with long-term loans on a lower coupon basis. Witness the recent refunding of the Goodrich Tire & Rubber 7s at this time (two years before maturity) with a 20-year 6½% bond; the paying off of the Humble Oil 7s, with 10-year 5½% debentures; and the refunding of the Burlington 6½s, with Northern Pacific 5s, due in 2013. Already the number of issues refunded at lower rates is considerable and the list will gradually lengthen as time goes on. Investors, therefore, should make it a point to examine their list of holdings from time to time with the idea of making exchanges in securities likely to be affected by this callable feature. Many advantageous trades may be made in this market and investors should not fail to take advantage of the opportunity to revise their holdings.

If any doubt exists in the minds of investors as to the ultimate trend of security prices, it is only necessary to refer to the remarkable reception accorded two issues which were recently made available to the public. The preferred stock issue of the New York Telephone Company, offered in the amount of $25,000,000, was subscribed for by 107,000 persons, while in the Northern Pacific flotation of its refunding bonds on a 5.20% basis, many large subscribers received allotments of only 10%. This affords an excellent example of the vast amount of funds available for placement in suitable issues and indicates that the credit situation is still sufficiently easy to justify the belief that bond prices at the present level have by no means discounted the change that has taken place. While the pace of new financing has slackened during the past two months, thus causing an accumulation of surplus funds to a certain extent, it is still reasonable to assume that the absorption of new bond issues would continue at a rapid rate even though there was a recurrence of the heavy financing witnessed during the early months of this year. Funds of investors have been accumulating so rapidly that bond dealers in many instances have found difficulty in meeting the requirements of their clients, and as a result there has been keen competition among houses in securing new offerings. The bidding of these houses against each other has also been a factor no doubt in strengthening the market for equipment issues, which have been in unusual demand in recent weeks. Under these circumstances, it seems entirely illogical to expect any material recession in the bond market until the huge surplus of investment funds is absorbed.

Where to Invest

A Business Man's $10,000

ALTHOUGH it is true that a business man whose earnings exceed his running expenses by a good margin and who is capable of further development along financial lines is justified in assuming some degree of risk in his security investments, the fact remains that most business men do not want to take on issues whose market actions will keep them awake nights and take their minds off their regular occupations.

Hence, when compiling an investment program for an average business man, it seems commonly sensible to search for issues that possess market possibilities but which represent, nevertheless, sound, stable and substantial concerns: In other words, to find *good* bonds and stocks that are selling lower than others, no better.

Following out this line of thought, a program has been compiled which allots $2,500 of the hypothetical $10,000 for investment in good grade bonds; and the remaining $7,500 for distribution for the most part among stocks of the sort described, i. e., issues that seem to be selling out of line.

The suggested program follows:

Par Amt. Recommended	To Cost About	Issue	Maturity	Lowest Denomination	To Yield About
$1,000	$995	South Porto Rico Sugar s. f. 7s	1914	$500	7.10%
1,000	995	Sinclair Cons. coll. tr. 7s	1937	100	7.05%
1,000	810	St. Louis & San Fran. adj. 5s	1955	1,000	7.70%
1,000	1,020	U. S. Steel ($5)			4.95%
600	594	National Lead Co. ($6)			6.06%
900	594	North American Co. ($5)			7.55%
3,000	2,280	Philadelphia Co. ($3)			7.88%
1,000	1,050	Western Union Tel. ($7)			6.06%
1,000	520	Allis-Chalmers Mfg. ($4)			7.69%
500	365	Inter. Merc. Marine pfd ($6)			7.55%
800	704	Pub. Serv. Corp. of N. J. ($6)			6.81%

Total cost, $9,927. Actual annual return, $699. Income yield on total investment, 6.93%.

It is noteworthy, in the above, that every issue recommended represents a concern of national proportions; that no issue can be classed as more than mildly speculative; that each issue represents a company engaged in a distinctive industrial field, although North American, Philadelphia Co. and P. S. C. of New Jersey might possibly be grouped together as public utilities.

The table shows the amount of the allotment recommended for each security. This is an important point. If the list is well compiled, the largest sums will be alloted to securities offering the best combination of safety and high yield. The largest sum in the above list is devoted to the Philadelphia Co., which seems to offer that "best combination," since the earnings of this strongly intrenched utility are running well in excess of dividend requirements, have so run for a number of years past, while the shares offer a yield substantially in excess of any other security on the list.

The point that U. S. Steel common, recommended on a 4.95% basis, is not attractive, from a yield standpoint, as compared with the other securities on the list would be well taken. But this stock is not selected from this point of view. U. S. Steel is recommended as representing the highest degree of safety plus a considerable likelihood of principal enhancement, this view resulting from the great growth in the steel industry in recent months, the prospects of continued growth and the fact that the big corporation is now financially equipped to take the fullest advantage of improvement, actual or prospective.

One of the most interesting securities in the list appears to be the South Porto Rico Sugar Co. bond—a first collateral sinking-fund issue, bearing 7% interest and due 1941. South Porto Rico Sugar was formed over twenty years ago; during its history it has been a prosperous and progressive concern. Its earning power reached record proportions during and after the war, as will be seen from the following record:

Year	Earned on Preferred	Earned on Common
1916	69%	55%
1917	31%	21%
1918	34%	18%
1919	30.73%	20.28%
1920	43.52%	15.85%

In 1921—the year of disastrous slumps in all commodity markets—South Porto Rico's affairs suffered a severe reversal. A balance of about 9% was earned on the preferred, but there was a deficit after dividends for the year had been paid.

In readjusting the company's affairs, the 7% bond issue was created—a $6,000,000 issue, retirable by sinking fund at the rate of from $250,000 to $350,000 a year. There is little likelihood that the company's earnings, which have averaged far in excess of interest and sinking-fund requirements, will fail to improve in the current year, as compared with 1921, and the belief is held that, taking sinking-fund payments into consideration, the safety element in the 7s will increase rapidly. Considering the offered yield, these bonds look unusually attractive on the present yield basis.

The program is drawn up on an "outright" basis, in case the business man does not care to establish a marginal account. Should he wish to establish such an account, of course, it would be possible for him to buy nearly three times as much stock as that shown against a deposit of $10,000.

For the outright investor, the actual yield offered of nearly 7% seems very satisfactory, in view of the nature of the securities shown—a yield that would be increased with the bonds held to maturity.

Investing in Bonds

Fashions of Yesterday and Today—The Extensive List of Foreign Government Issues—What Government Bonds Should I Buy?

By W. M. GEOFFREY

IN the old days, it used to be a comparatively easy matter to choose between the few investment classes there were available.

The market was not crowded with a multiplicity of investment forms. Nor, in each "form," were there so many different *degrees* of safety, such a various number of special attractions and qualifying clauses.

If you wanted the highest degree of safety—as things were then—you bought a U. S. Government bond or a highest-grade railroad bond. Also, a great many people "bought" mortgages, that is, loaned money under mortgage agreements. There weren't any farm-loan bonds, or real-estate mortgage bonds, then; municipal issues were to be had, of course, but there certainly was no such quantity as today; the U. S. Government bond had practically no competition from foreign issues—Americans of twenty years ago, even, were congenitally opposed to European Government issues, and seldom, if ever, bought a foreign municipal.

Today, the cautious investor, anxious to make the best choice possible from the large number of higher-grade investment securities available, finds it a far more complex problem. As between domestic and foreign Government bonds; domestic and foreign municipal bonds; equipment trust certificates; real-estate mortgage bonds, guaranteed bonds, convertible mortgage bonds and the host of other underlying issues, offering degrees of safety and profit possibilities that seem to differ only in minor respects, he has a perplexing field to choose from. His own education in financial matters, having graduated him from the insular attitude of forty years ago, he no longer contents himself with a lower interest rate for the sake of "keeping his money near home"; nowadays, he wants the best combination of safety and income yield to be had, irrespective of whether his funds go toward building up commerce in Kamchatka, good roads in Ceylon or a new automobile factory in Jersey City.

The Government Bond

The Government bond as an investment for American funds received its greatest impetus during the war. U. S. issues were distributed on a breath-catching scale in the five years that followed the Kaiser's march on Belgium and millions, literally, of American men and women who had never owned a bond before in their lives had their first experience in security investing when they purchased these issues.

Government bonds were standard investment for many years before the European war, however, and old-timers in finance tell of at least one selling campaign conducted by an army of nearly 4,000 individual solicitors supported by every available brass band which, in a smaller way, was much like our recent Liberty Loan drives. (Jay Cooke was the leading light in the campaign referred to.)

The Government bond market today has been swelled to what twelve months ago was considered very near the bursting point with this country's five Liberty Loan issues and the Victory loan in addition to nearly seventy foreign government issues. Compare this list with the two or three American issues dealt in on the Stock Exchange before the war and a bare dozen or so foreign issues having a market here then and you get a clearer idea of the extent to which the Government bond market has broadened out.

Under pre-war conditions — or what were then considered "normal" conditions —Government bonds represented about the highest order of investment security. The few that had a market in this country represented supposedly irreproachable governments who were jealous of the great prestige their loans enjoyed in the world's money markets and seemed safe beyond any shadow of doubt. There is a certain wry interest in looking over the records of the times—in 1903, for example, when "Frankfort-on-Main 3½s, series 1," were quoted on the New York Stock Exchange around 94, "prices quoted being on the basis of four marks to the dollar"; and "U. S. of Mexico s. f. gold 5s" were quoted around 98, "on the basis of $5 to the £."

U. S. Government bonds of the same year included the 2s of 1930, the 3s of 1918, the 4s of 1907, the 4s of 1925 and the 5s of 1904. The registered 4s of 1925 sold at as high as 137½ in 1903.

Compare the prices prevailing for Government bonds then and Government bonds today. Three and one-half to 4% were the yields to be had in those days; whereas today you can buy:

Kingdom of Sweden 6s to yield 5.80%.
Kingdom of Italy 6½s to yield 7.80%.
Sao Paulo 8s to yield 7.90%

and a great many other foreign Government issues on similarly high-yield bases.

The Reason Why

The explanation of the high yields obtainable in the foreign Government bond market today lies, of course, in the great changes, mostly for the worse, in the character of foreign government credit. Whatever truth there may have been twenty years ago in the superstition that you could safely buy Government bonds with your eyes shut, there is certainy no truth in it today.

Government bonds today, as in all times, reflect the credit resources, business-efficiency and political strength of the issuing nations; and in the case of Germany, Austria and Russia these three factors are practically *nil*, while in the case of France and Italy they are not nearly so strong as they should be. South American Governments, while being strengthened by the gradual re-establishment of profitable commerce, cannot, as a group, claim the ranking of gilt-edged investments, and there is an emphatic hazard element in the loans of Central America.

Today, the conservative banker whose advice is asked regarding investments in Government bonds, will confine his recommendations to the issues of progressive Scandinavia, neutral and little harmed by the war; the United Kingdom loans, which have almost fully regained their prestige in world markets; and, above all, the Liberty and Victory loans of the United States, which undoubtedly outrank any other investment of this class.

Will the investor have to content himself with miserably low interest returns from investments in such issues? A glance at the Bond Buyers' Guide gives the answer. Well over 7% can be had through the purchase of Christiania, Danish Municipal and Zurich bonds at prevailing prices; the Copenhagen 5½s, with 22 years to run, offer a yield of well over 6%; while the 5½s of 1937, backed by the United Kingdom of Great Britain & Ireland, offer a return of 5.12% on the investment and have 15 years to run. Recent Liberty Loan yields are shown in the accompanying table.

(This is the first of a series of one-page articles dealing with leading bond classes, such as Governments, Municipals, Real Estate Mortgage Bonds, Equipment Trusts, Guaranteed Bonds, etc.)

U. S. GOVERNMENT LOANS

Record High	Record Low		Recent Bid	Recent Asked	Offered Yield
102.50	86.00	Liberty 3½s, 1932-47	101.00	101.02	3.86%
101.68	83.00	Liberty 1st cv. 4s, 1932-47	101.50	101.70	....
100.80	81.40	Liberty 2nd 4s, 1927-42	100.70	101.86	3.86%
101.78	84.00	Liberty 1st cv. 4¼s, 1932-47	101.60	101.70	4.07%
101.74	82.00	Liberty 4th 4¼s, 1933-38	101.64	101.68	4.07%
100.90	94.68	Victory 4¾s, registered	......	......	....

BOND MARKET ATTAINS HIGHER LEVELS

Underlying Factors Favor the Bond Market and the Best Issues Continue to Move Higher

DURING the past two weeks the bond market has given a good account of itself and many issues sold at prices appreciably higher than those recorded in the preceding two weeks. A most remarkable demonstration of strength occurred in United States Government bonds with all issues comfortably above par. There was especial strength in Victory 4¾s owing to the announced Treasury plan to redeem one billion of the two billions outstanding of these notes on December 15. Simultaneous with this announcement came an official report that $400,000,000 4½% four-year notes would be offered on an interchangeable basis with Victory notes. The new notes are offered on a most favorable basis.

Sugar Issues Featured

Sugar bonds were consistently strong with a strong investment demand absorbing issues at advancing prices. Among bonds in this class to show conspicuous strength were the South Porto Rico Sugar 7s of 1941 with an advance of 3 points, Cuba Cane debentures with an advance of 5 points and Punta Alegre Sugar 7½s with an advance of about 4 points. Undoubtedly this industry has turned the corner and many good opportunities may still be found in this group of securities.

The railroad strike had absolutely no effect on high-grade railroad bonds, these issues moving principally under the influence of continued low money rates. In the gilt-edge group there were no conspicuous advances but the entire list was fractionally higher. A similar tendency was noted among the middle-grade railroad bonds. In this group, the B. & O. 1st 4s gave a good account of themselves advancing over 2 points.

There were some interesting developments among the speculative railroad bonds. Carolina, Clinchfield & Ohio 1st 5s moved up about 2 points and Southern Railway Gen. 4s advanced over 2 points. The rest of the list advanced fractionally. Considering the unfavorable strike news this demonstration of strength in the entire railroad group was a most convincing demonstration of their inherent strength.

The public utility group of bonds was uniformly strong, several issues making important gains. In the gilt-edge division, Amer. Tel. & Tel. 5s of 1946 advanced over a point, and Philadelphia Company 6s moved up nearly two points. The latter issue is extremely attractive even at the advanced price. In the middle-grade group of public utilities Brooklyn Union Gas 5s advanced sharply to 96 from a bid price of 92½. The speculative issues in this group were relatively unchanged though several issues showed small gains of under a point.

On the whole, the bond market certainly gave a very good account of itself under present conditions and the outlook for the near future appears to be satisfactory.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	Int. Earned on entire funded debt‡
	BETTER GRADE			
	Foreign Governments.			
1.	City of Christiania (b) 8s, 1945	109	7.20	....
2.	Danish Municipal (b) S. K. 8s, 1946	108½	7.25	....
3.	City of Zurich (b) 8s, 1945	111⅞	6.95	....
4.	City of Copenhagen (b) 5½s, 1944	91½	6.20	....
5.	Kingdom of Sweden 6s, 1939	103½	5.70	....
6.	Argentine (c) 5s, 1945	85	6.25	....
7.	U. K. of Gr. Britain & Ireland (c) 5½s, 1937	104	5.10	....
8.	Dominion of Canada (c) 5s, 1931	98⅝	5.20	....
	MORE SPECULATIVE			
1.	Kingdom of Italy (d) 6½s, 1925	96⅛	8.00	....
2.	Republic of Chile (b) 8s, 1941	104¼	7.55	....
3.	Sao Paulo (b) 8s, 1936	100¼	7.95	....
4.	U. S. of Brazil 8s, 1941	101½	7.85	....
	GILT EDGE.			
	Railroads.			
1.	Balt. & Ohio S. W. Div. (b) 1st Mtg. 3½s, 1925	92¼	6.37	.80‡
2.	Ches. & Ohio (a) Genl. Mtg. 4½s, 1992	88¼	5.12	2.20
3.	Delaware & Hudson (a) 1st & Ref. 4s, 1943	90½	4.70	1.65
4.	Southern Pacific (b) 1st Ref. 4s, 1955	90⅛	4.60	1.65
5.	Chic. Burl. & Quincy (a) Genl. Mtg. 4s, 1958	92¼	4.45	2.40
6.	New York Central Genl. Mtg. 3½s, 1997	79	4.50	1.80
7.	N. Y., Chic. & St. Louis 1st Mtg. 4s, 1937	90	4.95	2.35
8.	Atlantic Coast Line (a) 1st Mtg. 4s, 1952	92	4.50	1.55
9.	Pennsylvania (a) Genl. Mtg. 4½s, 1965	93½	4.88	2.20
10.	West Shore (a) 1st Mtg. 4s, 2361	83¼	4.85	**
11.	Norfolk & Western (c) Cons. 4s, 1996	92½	4.35	3.95
12.	Central R. R. of N. J. (a) Genl. Mtg. 5s, 1987	109	4.55	1.40
13.	Atchison (b) Genl. Mtg. 4s, 1995	93⅝	4.30	3.90
14.	Chic., R. I. & Pacific (a) Genl. Mtg. 4s, 1988	84¼	4.80	1.00
	Industrials.			
1.	Armour & Co. (a) R. E. 4½s, 1939	91	5.30	†
2.	General Electric (b) Deb. 5s, 1952	101	4.95	6.75
3.	International Paper (a) 5s, 1947	86⅞	6.00	5.55
4.	Indiana Steel (a) 5s, 1952	100⅝	4.95	16.70
5.	Baldwin Loco. (a) 5s, 1940	102½	4.80	**
6.	National Tube (a) 5s, 1952	100¼	5.00	**
7.	Corn Products (a) 5s, 1934	101¼	4.88	60.70
8.	U. S. Steel (a) 5s, 1963	103½	4.80	8.70
9.	Liggett & Myers (aa) Deb. 5s, 1951	98	5.12	4.65
	Public Utilities.			
1.	Duquesne Light (b) 6s, 1949	103	5.80	3.40
2.	Amer. Tel. & Tel. (c) 5s, 1946	99	5.10	4.80
3.	Philadelphia Co. (c) 6s, 1944	99	6.10	
4.	N. Y. Telephone (b) 4½s, 1939	94½	5.00	**
5.	Montana Power (c) 5s, 1943	97⅛	5.20	2.90
6.	Cal. Gas & Electric (a) 5s, 1937	97	5.30	4.15
7.	N. Y. G., E. L., H. & P. (a) 5s, 1948	99	5.10	2.10
8.	Pacific Tel. & Tel. (a) 5s, 1937	97½	5.25	1.75
	MIDDLE GRADE.			
	Railroads.			
1.	Balt. & Ohio (b) 1st Mtg. 4s, 1948	84¼	5.10	0.80
2.	St. Louis-San Fran. Prior Lien 4s, 1950	73½	5.95	1.60
3.	Missouri, Kansas & Texas Prior Lien 5s, 1962	84⅝	6.00	....
4.	Ches. & Ohio (b) Conv. 5s, 1946	95½	5.30	1.55
5.	Cleve., Cin., Chic. & St. L. (a) Deb. 4½s, 1931	90½	5.88	2.40
6.	Pere Marquette (c) 1st Mtg. 5s, 1956	97½	5.15	2.05
7.	Southern Pacific (b) Col. Trust 4s, 1949	88½	4.75	2.40
8.	Kansas City Southern (a) 1st Mtg. 3s, 1950	71	4.90	1.70
9.	Illinois Central (b) Col. Trust 4s, 1952	85	4.93	2.25
10.	St. Louis Southwestern (a) 1st Mtg. 4s, 1989	73½	5.10	2.00
11.	Norfolk & Western (a) Conv. 4s, 1929	1[illegible]½	4.10	3.95
12.	Atchison (a) Conv. 4s, 1960	102	3.90	
	Industrials.			
1.	Wilson & Co. (a) 1st 6s, 1941	99¼	6.10	2.10
2.	Comp. Tab. & Recording (b) 6s, 1941	96⅞	6.30	5.45
3.	Adams Express (b) 4s, 1948	80	5.45	2.60
4.	Int. Merc. Marine (b) 6s, 1941	97	6.25	5.15
5.	Lackawanna Steel (c) 5s, 1950	93⅞	5.75	6.90
6.	U. S. Rubber (c) 5s, 1947	90¾	5.70	2.35
7.	Amer. Smelting & Refining (c) 5s, 1947	93	5.50	5.00
8.	Goodyear Tire (c) 8s, 1941	116	6.50	9.55
9.	Sinclair 1st Lien Col. Tr. Series A 7s, 1937	99	7.10	3.70
10.	South Porto Rico 1st Mtg. 7s, 1941	99¼	7.10	5.50
	Public Utilities.			
1.	Public Service Corpn. of N. J. (a) 5s, 1959	85¼	6.00	....
2.	Detroit Edison (c) Ref. 5s, 1940	94⅝	5.50	2.80
3.	Brooklyn Union Gas (a) 5s 1945	96	5.30	*1.35
4.	Northern States Power (b) 5s, 1941	91⅛	5.75	1.80
5.	Brooklyn Edison (c) 5s, 1949	96	5.30	2.20
6.	Utah Power & Light (a) 5s, 1944	91	5.70	1.80
7.	Cumberland Tel. & Tel. (b) 5s, 1937	93½	5.62	1.70
	SPECULATIVE.			
	Railroads.			
1.	Western Maryland (a) 1st Mtg. 4s, 1952	65⅝	6.02	.70
2.	Iowa Central (a) 1st Mtg. 5s, 1938	79½	7.20	....
3.	St. Louis Southwestern (a) Cons. Mtg. 4s, 1932	76	7.40	2.00
4.	St. Louis-San Francisco (a) Adj. Mtg. 6s, 1955	80¾	7.60	*1.90
5.	Mo., Kansas & Texas Adj. Mtg. 5s, 1967	57¼	8.90	....
6.	Southern Railway (a) Genl. Mtg. 4s, 1956	69½	6.12	1.85
7.	Missouri Pacific (b) Genl. Mtg. 4s, 1975	65	6.25	.90
8.	Carolina, Clinch. & Ohio (c) 1st Mtg. 5s, 1938	91⅛	5.80	1.40
9.	Minneapolis & St. Louis (a) Cons. Mtg. 5s, 1934	79¾	7.60	.50
10.	Denver & Rio Grande 1st Ref. 5s, 1955	47	11.00	....
	Industrials.			
1.	Chile Copper (b) 6s, 1932	92¾	7.00	3.80
2.	Va.-Carolina Chemical (c) 7½s, 1932	105⅝	6.70	2.75
3.	American Writing Paper (a) 6s, 1939	86	7.50	1.90
4.	American Cotton Oil (a) 5s, 1931	89¾	6.50	3.15
5.	Cuba Cane Sugar (c) 7s, 1930	87	9.30	....
	Public Utilities.			
1.	Hudson & Manhattan (c) Rfdg. 5s, 1957	85⅛	6.00	*1.00
2.	Intr. Rapid Transit (a) 5s, 1966	69	7.40	1.60
3.	Third Avenue (b) Refg. 4s, 1960	64	6.60	*1.20
4.	Va. Railway & Power (a) 5s, 1934	80½	7.50	....

(aa) Lowest denomination, $5,000. (b) Lowest denomination, $500. (d) Lowest denomination, $50
(a) Lowest denomination, $1,000. (c) Lowest denomination, $100.
(x) This issue was created on May 1, 1921.
† This issue, which represents the entire funded debt of the company, was created on Nov. 1, 1920.
* Number of times over interest on these bonds was earned.
** Earnings are not reported separately.
‡ This represents number of times interest on the companies' entire outstanding funded debt was earned, based on actual earnings of last five years. Interest on this issue was fully covered.

Inquiries on New Security Offerings

Inquiries on Other Securities Will Be Found in Their Respective Departments

KINGDOM OF THE NETHERLANDS 6s

Yield 6.10%

I have avoided foreign securities so far, having all my money in stocks and bonds of strong American corporations. The recent Kingdom of the Netherlands bond offering, however, looks rather attractive to me, as I am a believer in the prosperity of that country. Would greatly appreciate your advice in the matter.—Harrisburg, Pa.

Kingdom of the Netherlands 150,000,000 guilders 6% bonds, Series B, due in 1972, are offered in denominations of 2,500 guilders (at par of exchange, $1,005). At the present time the guilder is selling at a discount of about 3%. The total funded debt of Holland at the close of 1921 was 2,435,600,000 guilders, all issued and sold in Holland. This is at the rate of less than $140 per capita, compared with $195 per capita in the United States and $650 per capita in Great Britain. The Bank of the Netherlands had a gold reserve against its circulation of over 62% as of June 19, 1922, compared with a reserve of 52% in July, 1914. The Amsterdam market, where prices heretofore have ruled above those prevailing here, will be available for these interim receipts upon completion of arrangements for exchange in Amsterdam for temporary bonds of like denomination listed on the Amsterdam Stock Exchange. At offered price of $960 per bond, the yield is 6.10% if held to maturity, and 6.20% if called in 1932. These yields are based upon exchange at 39 cents per guilder. With exchange returning to par, 40.2 cents, within six months and remaining at that figure, the yield to earliest date of redemption 1932, will be about 6.65%. The financial strength of Holland and present prosperous condition, entitles these bonds to a high rating and we regard them as an attractive investment opportunity.

KANSAS CITY POWER & LIGHT

A Good Business Man's Investment

Please give me a brief report on Kansas City Power & Light Co. preferred stock which is offered at a price to return 7½%. Also your opinion as to the desirability of making an investment in this stock—F. A., Camden, N. J.

Kansas City Power & Light Co. controls the electric light and power business of Kansas City, Missouri, and wholesales current to 44 adjacent towns. This company's business has shown an excellent growth in recent years, the generating capacity having been increased 250% since 1919. For the twelve months ended May 31, 1922, earnings, after deducting depreciation, were equal to nearly three times the dividend requirements on the 75,000 shares of 1st preferred stock, Series A, including the shares now being offered. The value of the properties as recognized by the Public Service Commission for rate making purposes is in excess of $28,000,000, in addition to which approximately $4,000,000 has been expended on work in progress. After allowing for bonded and other debt this is equal to about $180 a share on the 1st preferred, Series A, stock. For a security that yields as high at 7½% this stock appears to have excellent value behind it and can be regarded as an attractive business man's investment.

AMERICAN WATER WORKS & ELECTRIC

Preferred Stock Attractive

Your opinion of American Water Works & Electric 7% preferred stock recently offered at 87 will be appreciated.—S. R., Paterson, N. J.

American Water Works & Electric Co. is a holding company controlling 26 water companies in communities in the Middle West and South. Earnings have been showing an increasing tendency for some time and the outlook is for still larger earnings. The proceeds of the present offering of $1,200,000 7% cumulative preferred stock will be used chiefly in acquiring control of the Potomac Public Service Co. Average net income for the two years ended May 31, 1922, after depreciation and other charges, was nearly 2¾ times dividend requirements on the 1st preferred, including present issue. At the offered price of 87 the yield is 8.05%. We regard the stock as a very attractive business man's investment.

BARAGUA SUGAR 7½s

Yield 7½%

I have been looking for investment opportunities among the new issues, as it appears to me that frequently these new issues offer a better return on your money with reasonable safety than can be obtained in the more seasoned securities. What do you think of Baraqua Sugar Co. 7½% bonds.—Bronxville, N. Y.

We agree with you that frequently splendid investment opportunities are offered among the new issues.

Baragua Sugar $4,500,000 7½s, due 1937, are a first mortgage on all the fixed assets of the company. Net tangible assets are over 2¼ times bond issue. Working capital is two million. The property is a low cost producer, and for five years ended Dec. 31, 1921, earnings averaged six times interest charges. Entire capital stock has been acquired by the Punta Alegre Sugar Co. At offered price of 100 these bonds yield 7½% and can be regarded as an attractive business man's investment. We would prefer, however, Manati Sugar 7½s selling on the New York Stock Exchange at 98¼, as the yield is a little better and the security in our opinion just as good.

CROWN CORK & SEAL 6s

Well Secured Bond

I am considering the purchase of $1,000 bond of the Crown Cork & Seal Co. offered by the National City Co. Do you consider this a good investment?—H. G. U., Flushing, N. Y.

Crown Cork & Seal Co. $4,000,000 1st mortgage 6s, due 1941, are secured by a direct closed first mortgage on all the real estate and fixed assets of the company and by the pledge of all securities owned. No dividends can be paid on stock unless net current assets shall equal 125% of bonds outstanding. Sinking fund will retire two million dollars of bonds by maturity. After giving effect to this financing net tangible assets of company amount to 3¾ times the amount of the issue. Net current assets alone are nearly seven million. This company is the largest manufacturer of Crown corks and also manufactures bottle filling and crowning machines, cork specialties, etc. Net profits for past thirty years have averaged $788,377, and in the past ten years $1,322,164, or 5½ times interest charges. In 1921 company operated at a loss due to drop in sales and inventory loss. There is very substantial security behind this issue and at offered price of 96 to yield 6.35%, we regard bonds as an attractive investment opportunity.

NORTHERN STATES POWER 5s

Another Bond Suggested

Would you advise the purchase of Northern States Power Co. first mortgage 5% bonds? Is there any other good public utility bond that you consider offers a better investment opportunity? I want a conservative investment and not an early maturity.—R. G., Boston, Mass.

Northern States Power Co. 1st mortgage 5s, due 1941, are entitled to a good rating. This company operates public utility properties serving 319 communities located in Minnesota, Wisconsin, Illinois, North Dakota, South Dakota and Iowa, with a total population in excess of one million. This is a rapidly developing territory, and in each of the years 1911 to 1921, gross and net earnings of the company have shown increases over the preceding year. For the year ended May 31, 1922, earnings were 2.6 times interest charges. At the offered price of 91½ the yield is 5.74%. In our opinion, you can get a higher return in other public utility bonds with a sufficient degree of safety and we suggest that you purchase instead of this issue Chippewa Power Co. 1st mortgage 6s, due 1947, recently offered at 98½ to yield 6.12%. Property of this company is leased to the Wisconsin-Minnesota Light & Power Co. for 30 years at an annual rental equal to 2½ times interest charges.

Railroads

June Traffic Best of Year

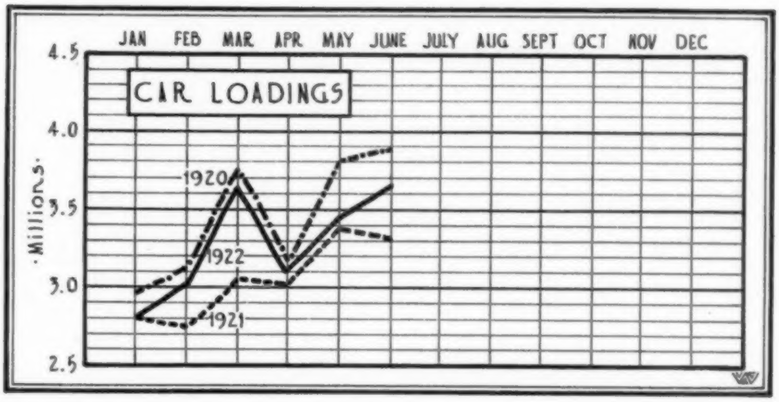
Car-Loadings at New High—Railroad Earnings Will Probably Exceed the Peak Recorded Last March

By ARTHUR J. NEUMARK

RAILROAD earnings thus far at hand bear out our estimate that June would make the best showing of the year. Traffic all over the country was greatly stimulated. Gross earnings on the average were about 10% ahead of the corresponding month of 1921, and about the same percentage ahead of the previous month of this year.

With the exception of the roads operating in unionized coal districts, carriers in all sections of the country reported substantial gains in gross and net earnings. New York Central continues to make a remarkable showing, net operating income for June totaling over $6,000,000, compared with $3,800,000 net in the previous month. In the southern group, Southern Railway reported net operating income of over $2,400,000, compared with $1,600,000 for the previous month. This road is now earning a substantial balance on its common stock. The pronounced improvement in conditions in the Northwest is being reflected in the greatly improved earnings of Great Northern. This road's earnings have shown steady improvement in the past few months. Net operating income in May was $900,000, and this showing was doubled in the month of June. The road is now earning at an annual rate of over $4 a share on its capital stock, compared with an operating deficit of $1,600,000 for the first six months of 1921. The earnings of the trans-continental systems have not come up to expectations for two reasons. Firstly, coastwise shipping through the Panama Canal has taken away a considerable amount of overland traffic, but this factor is not nearly as important as the fact that these roads have been padding maintenance quite heavily, in preparation for a

(*Continued on page 567*)



CLASS I ROADS
(000 omitted)

	Net oper. income	Month's normal earnings to give a 6% return
July	$69,485	$93,267
August	90,000	105,000
September	87,174	113,000
October	105,453	114,400
November	66,198	109,328
December	55,000	91,200
January, 1922	29,530	74,100
February	47,770	68,000
March	83,511	78,000
April	50,271	88,500
May	61,980	89,000
June	90,000	97,500

ESTIMATED ANNUAL EARNINGS OF RAILROADS BASED ON FIRST SIX MONTHS OF 1922

The following table is compiled on the actual average percentage of the first six months' net operating income to the total traffic year for the past ten years.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	$5.05
Atlantic Coast Line	....	....	....	20.60
Baltimore & Ohio	....	....	....	15.75
Buffalo, Rochester & Pittsburgh	....	71	....	....
Canadian Pacific	....	....	....	7.40
*Chesapeake & Ohio	....	....	....	17.00
*Chicago, Mil. & St. Paul	....	8	....	....
Chicago North Western	....	....	....	5.45
Cleve., Cinn., Chic. & St. Louis	....	....	....	36.60
Delaware & Hudson	....	....	....	1.65
Delaware, Lackawanna & Western	....	....	....	6.00
*Erie	....	....	[7]$0.70	....
Great Northern	....	....	[8]4.10	....
Illinois Central	....	....	....	15.50
Lehigh Valley	....	80	....	....
Louisville & Nashville	....	....	....	23.35
Missouri, Kansas & Texas	....	....	....	12.55
Missouri Pacific	....	84	....	....
New York Central	....	....	....	16.50
N. Y., Chicago & St. Louis	....	....	....	[2]22.30
N. Y., New Haven & Hartford	....	71	....	....
N. Y., Ontario & Western	....	77	....	....
Norfolk & Western	....	....	....	21.07
Northern Pacific	....	....	....	.90
Pennsylvania	....	....	....	[1]10.30
Pere Marquette	....	....	....	9.10
Pittsburgh & W. Va	....	....	....	3.30
Reading	....	....	....	2.10
St. Louis, San Francisco	....	....	....	8.35
St. Louis, Southwestern	....	....	....	1.20
*Southern Pacific	....	....	....	[3]7.65
Southern Railway	....	....	....	3.30
Texas & Pacific	....	....	....	1.30
Toledo, St. Louis & Western	....	....	....	15.00
Union Pacific	....	....	....	9.00
Virginian	....	....	....	22.40
Wabash	....	....	....	[6]1.60
Western Maryland	....	....	....	.20
Wheeling & Lake Erie	....	....	[5]6.00	....

* On the basis of first five months' earnings.

[1] $50 par value. [2] After 5% on the common stock, all classes of stock share equally. [3] Without oil income and after capital adjustments. [5] On the 6% 2nd preferred. [6] Assuming that all of the outstanding preferred B is converted equally into proferred A and common stocks. [7] On the 4% 2nd preferred stock. [8] Only class of stock outstanding.

Effects of the New Reorganization of the International & Great Northern Railway

How Bondholders Will Fare Under the New Plan —What Is the Future for the Common Stock?

By JOSEPH M. GOLDSMITH

ONE of the lesser railroad systems now enjoying considerable prominence in financial circles is the International & Great Northern Rwy., a road that has been in receivership since August, 1914, and a reorganization plan to terminate which, was recently made public by the organization managers. The new securities contemplated in the plan were admitted to the N. Y. Stock Exchange, to be traded in on a when issued basis, on June 2nd, and as is usually the case with issues of a property undergoing reorganization, immediately became speculative favorites. Although the tremendous volume of trading which characterized the first few days' dealings in the new International & Great Northern Adjustment 6s has considerably subsided and assumed more moderate proportions, this new addition to the list will probably continue to receive its share of attention from the more venturesome class of bond buyers.

Location and History

In no way is the geographical location of the International & Great Northern indicated by its title, for its lines, comprising over 1,100 miles of road, are all situated within the State of Texas. It consists of a main line running diagonally across the state from Longview Junction in the northeastern part of Texas, to the Mexican Border, forming along with the Texas & Pacific and the St. Louis Iron Mt. & Southern the most direct route between St. Louis and Laredo, the important gateway—to this part of Mexico; and a branch extending from Fort Worth through Waco and Houston to Galveston, the large seaport on the Gulf of Mexico.

Since its formation in 1873, as a combination of two roads constructed somewhat earlier, its history, although not so reassuring to the prospective purchaser of its securities, has certainly been neither uninteresting nor uneventful. It has been periodically engaged in dodging in and out of receivership, the present one being the fourth that it has experienced, and consequently representing no unusual occurrence in its rather erratic career. Hitherto the measures employed to cure this chronic disease from which it has suffered have not been sufficiently drastic to be effectual. They have been more palliatives designed to tide the patient temporarily over a critical condition, in this case financial; but what was urgently demanded was a radical downward revision of fixed charges such as would place them clearly within its earning power even in comparatively unfavorable years.

New Plan Sound and Equitable

In the proposed reorganization plan the problem seems to have been tackled courageously, and with the purpose of doing a job which will not have to be done over again in the near future, as has unfortunately been true of previous futile attempts to place the property on a permanently stable basis. The obligatory interest charges which the new company will be called upon to meet, as indicated by the appended table, will be substantially less than those of the present company, this item being cut from $1,597,175 to $1,179,000, a reduction of $418,175. This will be accomplished by making part of the charges of the new company contingent upon earnings. Therefore, although the full interest on all the bonds to be presently issued will be $2,199,000, a large part is made conditional upon income and consequently can only be demanded if earnings cover it, and will not prove a source of embarrassment to the company during bad years.

Another wholesome feature of the plan is the provision of $4,000,000 cash working capital which will be immediately available to defray the cost of whatever improvements appear most desirable and productive of the greatest economies. It will therefore be in possession of ample cash with which to meet its needs for a considerable period without the necessity of a further issue of securities. Sufficient bonds are also to be reserved in its treasury, to be issued at the discretion of the management, to provide for its more distant capital requirements, thus insuring unrestricted expansion to the extent warranted by any future increase of traffic.

In a few words, the plan offers the old First Mortgage bondholders and holders of Colorado Bridge bonds, of which latter there were only a small amount outstanding, the option of obtaining new First Mortgage bonds par for par, or else receiving cash for their old obligations. The junior security holders, including holders of the Three-Year 5% Notes, which matured in August, 1914, and the failure to pay or extend which precipitated the present receivership; as well as the First Refunding Mortgage 5% Bondholders, are to receive varying proportions of new Adjustment Bonds and new common stock.

Those who possessed a prior claim on the property could not be expected to make any sacrifices, and since the road's past earning record did not justify a higher scale of fixed charges, it was naturally the junior bondholders who were called upon to surrender their fixed interest bearing obligations for others bearing only a contingent charge. If the earnings of the International & Great Northern permit, they will receive as large an income as formerly, while if not earned the company would be unable to pay under any conditions, for it is axiomatic that one cannot get blood from a turnip. Consequently, although greatly reducing obligatory interest charges and hence minimizing the possibility of further difficulties for the railroad company, the conversion does not work an injustice upon the present junior bondholders.

New First Mortgage 6s

Upon the completion of the proposed plan the new capitalization will consist of two bond issues and only one class of stock, an analysis of the respective investment positions of which shall now be attempted. Obviously the securities of a reorganized railroad would not appeal very strongly to the majority of conservative investors, but sometimes those who rush in where others fear to tread are amply repaid for their courage.

INTERNATIONAL & GREAT NORTHERN RY.
BONDED DEBT AND INTEREST CHARGES

Present Company: Principal amount		Interest charges	New Company: Principal amount		Interest charges
$11,290,500	1st Mtg. 7%	$790,335	$17,250,000	1st Mtg. 6%	$1,035,000
160,000	Col. Bridge 7½%	12,000	2,400,000	6% note to Dir. Gen.	144,000
1,108,000	1st Refund. 5%	55,000		Total fixed interest charges	$1,179,000
11,000,000	3-yr. 5% notes	550,000	17,000,000	Adjustm't Mtg. 6%	1,020,000
3,182,327	Equip. obligations & rec. cet.	189,440			
$26,740,827		$1,597,175	$36,650,000	Total fixed & contingent net charges	$2,199,000

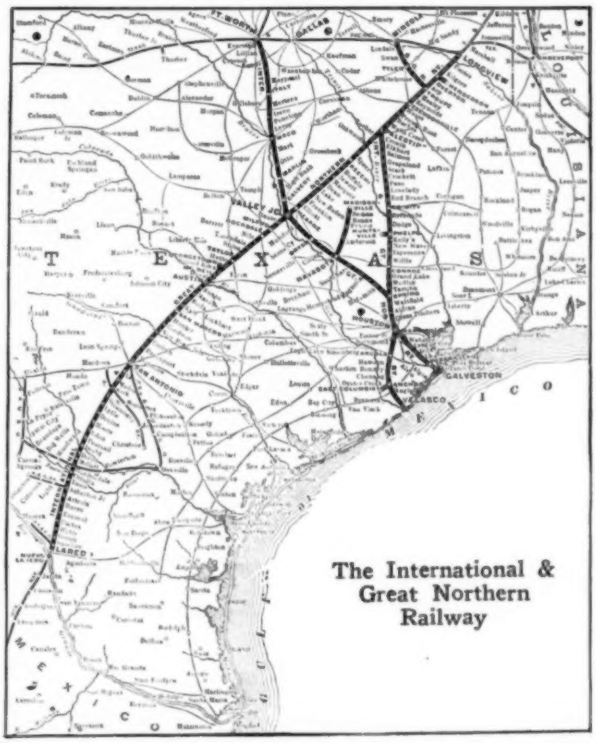
The new First Mortgage Thirty-Year Six Percent. Gold Bonds will cover as an absolute first lien all the property of the railroad now owned or hereafter acquired, and will be limited to the total authorized amount of $40,000,000, only half of which is to be presently issued. Of this latter sum $17,250,000 will be outstanding in the hands of the public, while an additional $2,750,000 will be pledged as security for the road's indebtedness of $2,400,000 to the Director General of Railroads. Bonds of this issue will therefore be outstanding, including those pledged, at the rate of $18,083 per mile, which is by no means excessive, for the Texas Railroad Commission recently placed the value of the road at $39,000,000. On the basis of this valuation there is actual property value behind them at practically twice this rate.

They will differ hardly at all from the First Mortgage Bonds of the present company, a large part of which were issued as far back as November 1, 1879, and have never been disturbed in any of the financial readjustments that have proven necessary since that date. As previously noted these old First Mortgage Bonds maturing in November of this year are being paid off in cash, provided the holder so elects, and when a bond is paid in cash in a circumstance such as this it is only because it occupies an unassailable position.

It is highly probable that the interest charges on them will be consistently earned by a wide margin and consequently comparatively little risk appears to be attached to them. Taking the average earnings of the five years immediately preceding the period of government operation commencing January 1, 1918, including 1914 and 1915, years of utter demoralization in the South, when the "buy a bale of cotton" slogan was inaugurated, we find that the International & Great Northern earned at the rate of $1,350,000 per annum, or $170,000 more than enough to cover the proposed fixed charges. The road is hardly likely to ever face such an unfavorable combination of events in the future as prevailed in this period. Although they can scarcely be considered on the bargain counter at their present level, as of July 17th, around 97¼, the record of the present First Mortgage Bonds and the indicated earnings of the new company make negligible the possibility that they will ever be in arrears.

International & Great Northern Adjustment 6s

The Junior bond issue of the new company will be its Thirty-Year Adjustment 6s, of which $17,000,000 are to be issued out of a total authorized amount of $25,000,000. They will rank for interest from January 1, 1923, interest to be payable only to the extent that it is earned, and become cumulative on and after January 1, 1928, so that after this date if the full 6% is not declared in any year the unpaid balance will be carried over until finally liquidated. Prior to 1928 at least half the earnings remaining after all prior charges have been met must be declared on the Adjustments to the extent necessary to the payment of full interest. It is in the International & Great Northern Adjustment 6s that the greatest activity has been displayed. They must be classed as clearly speculative for they will be subject to the prior lien of $20,000,000 First Mortgage 6s, so that as far as claim upon the physical property goes, this bond is not in a particularly enviable position.



The International & Great Northern Railway

Their future price range is entirely dependent upon the earnings of the road and especially for a railway system which in the past has been subject to such violent ups and downs as the one in question, predictions cannot be made with any degree of certainty, for the inscrutable future does not readily lend itself to accurate forecast. Nevertheless, if we are to arrive at a conclusion as to their possibilities of appreciaton, we must hazard an opinion as to the railroad's prospective earning power. In this connection a brief analysis of its present condition and an estimate of what changes a constructive policy can effect are essential.

Economical Operation the Solution

Its freight traffic, although not quite as heavy as that of most of the other large southwestern roads, because of the relatively high average rate at which it is carried, produces a reasonably large gross income per mile. Agricultural products constitute the most important source of income consisting largely of cotton, wheat, and fruits and vegetables, although the road possesses a rather diversified traffic including considerable quantities of low-grade coal, lumber, petroleum and manufactured products.

The problem of securing sufficient net earnings for the International & Great Northern to cover all its charges, including the full 6% on its Adjustments, appears to be mainly an operating one. With a normal rate of increase in the volume of traffic obtainable, which the steady development of this section of the United States insures, little anxiety need be caused on this score, and it is in the direction of handling at low cost the traffic available that the energies of the management must be assiduously applied.

There is considerable room for improvement in regard to the transportation ratio, which represents the percentage of gross revenue expended in actually performing the transportation service, which in recent years has been far above that of comparable roads such as the Missouri, Kansas & Texas, or the St. Louis, San Francisco. This ratio can only be cut down by increasing the average train load and consequently hauling more tonnage with the same or a smaller number of train miles run. It does not cost a tremendous amount more for a large powerful locomotive to haul a trainload of 500 tons, than it does to run some antiquated model which should long since been put in the discard, hauling half as great a tonnage. Large trainloads can only be attained by increasing the tractive power of the locomotives used and by reducing grades. Although the sums expended during the receivership upon maintenance have been adequate, undoubtedly much remains to be done along these lines by the International & Great Northern. With the ample working capital with which the new company will start, there is no reason why in the course of a few years the character of its roadway, motive power, and rolling stock cannot be raised to a high standard, so as to make possible the rendering of high-grade service at low cost.

E. H. Harriman, probably the greatest railroad genius that our country has developed, transformed the Union Pacific from an indifferent property to one of the finest roads in the United States in the brief space of a few years, by sinking millions of dollars in additions and betterments. The present low operating ratio which the Union Pacific enjoys is directly attributable to this far-sighted policy.

(Continued on page 555)

Industrials

U. S. Steel Corporation

The World's Leading Industrial

Tremendous Growth Due to Exceptional Management — U. S. Steel and Competition — Labor Policies — The Dividend Outlook

By JOHN MORROW

WHEN the famous steel strike was being fought to a finish in the Fall of 1919, the *New York American* presented, daily, remarkably fair accounts of the differences between the Steel Corporation and its employees, and, if anything, sided with the Corporation. While not of major importance, the fact that a paper like the *New York American* leaned toward capital in an industrial dispute, was worthy of more than passing comment. It safely may be said that the Steel Corporation receives, without solicitation, more favorable publicity than probably any other corporation in the United States. During the past few years, attacks upon its policy have fallen far short of the object sought, and public sentiment generally regards the big company with a sort of benevolent admiration and, of course, with unstinted respect.

U. S. STEEL CORPORATION

A SUMMARY OF PROFITS AND EXPENDITURES

Capital surplus at organization	$25,000,000
Balance of net profits, 1901-1921	$1,846,991,589
	$1,871,991,589
Dividends paid on preferred, 145¼%	$546,831,076
Dividends paid on common, 99½%	505,739,132
Appropriations for payment of capital expenditures and special charges	310,494,423
Balance of surplus Dec. 31, 1921, exclusive of inter-company sales profits	508,926,957

EARNINGS RECORD

	Gross	Net Income	Earned on Pfd.	Pd. on Pfd.	Earned on Com.	Paid on Com.
1914	$558,414,934	$23,496,768	$6.52	$7	.....	$3.00
1915	726,683,589	75,833,830	21.0	7	$9.90	1.25
1916	1,231,473,779	271,531,730	75.3	7	48.40	8.75
1917	1,683,962,552	224,219,565	62.2	7	39.10	18.00
1918	1,744,312,163	137,532,377	38.1	7	22.10	14.00
1919	1,448,557,835	76,794,583	21.3	7	10.10	5.00
1920	1,755,477,025	109,694,228	30.4	7	16.60	5.00
1921	986,749,719	36,617,017	10.1	7	2.20	5.00

U. S. Steel has come through the long period of corporation baiting and anti-big business legislation unscathed, with reputation augmented instead of diminished. As the company now stands it is regarded, more than any other one corporation, as an exemplar and model of corporate life and activity. Its policies are held up to be followed not only by the steel trade, where it stands preeminent, but by business men in unrelated industries. When Chairman E. H. Gary makes a public address or is interviewed on the policies of the corporation, his remarks are perhaps followed as carefully as those of any public man in the country, which is a tribute not only to the individual but also to the corporation whose spokesman and ambassador he is.

Years ago, before the birth of the Steel Corporation, and even afterward, there was no such condition as now exists. It was then a game of selling steel at any cost and the "devil take the hindmost." There are probably no old-time steel men who will dispute the statement that U. S. Steel Corporation has been responsible for the acquired dignity which the steel industry enjoys today and for the stability which has supplanted the old helter-skelter and often cut-throat methods of doing business.

Selling Policy

So far as records show, and they are entirely conclusive, the Steel Corporation has not used its great power to force the independent steel manufacturers to the wall or place them entirely at the mercy of the big company. The famous "Gary dinners" were, it will be remembered, started in 1907, having as the reason for inception the business crisis of that year, when it became absolutely necessary to institute cooperative action among steel makers, large and small, in order to stabilize prices and to prevent the ruin of many large jobbers. These dinners were continued for a year or more, and the charge was made that at them prices were fixed and determined. This charge was never proven, and it is probably quite accurate to say that stability in prices and the prevention of wide fluctuations were more sought after than the establishment of levels which would give unfair and unreasonable profits to the manufacturers.

In 1909 the Steel Corporation determined to go it alone and instituted immediately a campaign for orders without regard to the independent manufacturers. This campaign was in the nature of a disappointment, for it did not bring in the amount of business anticipated. By some it was taken to mean that the corporation did not have the power of crushing competition. In the interesting book "United States Steel—A Corporation With a Soul," Arundel Cotter, the author, on this point, says "A vigorous campaign for orders followed both on the part of the Corporation subsidiaries and the independent companies, but the result went largely to prove that the big company did not have the power which its enemies claimed it had, of crushing competition." The old Carnegie method had failed. Another notable instance of the Corporation's policy toward prices was in the early Spring of 1919, when the government board fixed a scale of prices to be operative throughout the steel industry. Later in 1919, the demand for steel became so urgent that this price level existed in name only, except in the case of the U. S. Steel Corporation, which religiously adhered to the scale agreed upon, but the independents took full advantage of market conditions, which at the time could be described as practically runaway.

Since last Fall there has been a gradual increase in the average price of the principal iron and steel products. For instance, at the beginning of the current year this average was around $44, whereas at the beginning of July it was a trifle over $47. Now the Steel Corporation did not arbitrarily institute a scale of higher prices. In March, of the current year, when the question was directly asked, Judge Gary announced that the Steel Corporation would follow advances in price of steel products which had been put into effect by competitors. In other words, the evidence simply goes to show that the Steel Corporation determines its price pol-

icies by general conditions; by supply and demand; by cost of production; and does not follow arbitrary methods of imposing schedules upon consumers which would be unfair both to them and to the competitors of the Steel Corporation.

Costs and Earnings

It is, of course, an established fact that the Steel Corporation has lower costs per ton than its competitors and enjoys the advantage of having completely cooperative facilities for steel making at its direct disposal. The Steel Corporation owns the mines from which the ore is taken, owns the railroads and ships by which it is transported to the mills. The circle of raw materials, manufacturing and finished product is complete. When the price of steel rails was put at $40 a ton, not so many months ago, it was claimed that the Steel Corporation was perhaps the only steel maker in the country which could, at that time, produce steel rails at $40 a ton and make any profit whatsoever.

As it stands today, the Steel Corporation produces, or at least has the capacity to produce, from 42% to 45% of the total ingot production of the country, and at the present writing is operating at perhaps 75% of capacity.

The earnings of all the steel companies for the second half of 1922 reflect the improvement in steel demand, together with the gradual increase in the price of steel products, but the independents which have reported their earnings for the second three months of the year do not show a material surplus available for the common stock. As this is written, the report of the Steel Corporation for the second quarter has not been published, but trade reports have it that in the second three months the common dividend was earned with a margin to spare. In the first quarter nothing was earned upon the junior stock, but the first three months did show an ascending scale of net earnings, and since February there has been a gradual increase in unfilled orders.

CAPITALIZATION—STEEL CORPORATION

	At Present	1914
Preferred stock	360,281,100	360,281,100
Common stock..	508,302,500	508,302,500
Bonds	$549,264,768	$627,045,112

Before the Lockwood Housing Committee, Chairman Gary testified that the Steel Corporation enjoyed a preferential of $3 a ton on its products, compared with the independents. This difference would mean additional profits of approximately fifty-one million dollars yearly, based on the approximate present output. One of the declared intentions of the proposed mergers of the independent steel companies is to diminish this difference between margin of profit of the big corporation and the margin of profits of the smaller ones.

Wage Policy

First and foremost in its relations with labor the Steel Corporation has stood for the open shop. Since the famous Homestead strikes of the early nineties, union labor has not been able to gain a foothold in the steel industry, at least in that part of the industry which is represented by the mills of the Steel Corporation. The Steel Corporation has not attacked directly the principle of unionism and organization among employees, but it has rigorously reserved the right and the privilege of dealing with its own employees without interference from outsiders or through the medium of labor leaders.

It may be that the more conservative labor leaders have tacitly recognized and realized the strongly intrenched position of the Corporation and perhaps have known the futility of forcing a battle to make the steel mills closed shops. Against this it might be said that the strike of 1919 was fundamentally an attempt to organize steel-mill labor, but there is another thought underlying that conflict which might well be set forth. If it had not been for the now notorious "boring from within" methods of the radical labor leaders, Foster and Fitzgerald, whose aims were less the cause of unionized labor than the introduction of ultra radicalism, it may have been that the recognized leaders of the American Federation of Labor would not have, in 1919, sponsored even indirectly an attempt to shut down the steel mills. Foster and Fitzgerald obviously hoped that the seeds of discontent with established institutions very easily could have been sowed among the alien labor that makes up a large part of the forces working in the mills.

The idea might be tentatively suggested that the conservative labor leaders, as much as they might have desired to unionize the steel industry, preferred more to rid themselves of the menace of Foster and his associates, and that they therefore chose a strategical method of allowing the self-immolation of the radical influence rather than to fight this influence within the ranks of labor. In other words, conservatives might have felt that the public exposé of the radical principles which Foster and Fitzgerald stood for could well be accomplished through an attempted strike at the steel mills. In any event the attempt to organize the steel workers and to bring the steel companies to terms failed dismally, and since the early part of nineteen hundred and twenty there has been no serious talk among labor elements of a plan to try again. From time to time there has been gossip to the effect that organized labor would make another attempt, but, as it stands today, the Steel Corporation is sole arbiter of relations with its men.

Steel Wages and Cost of Living

There is considerable interest in the

Spectacular Night View of the Homestead Works of the U. S. Steel Corporation. These Mills Are Located in the Pittsburgh District

average actual earnings of the steel employees as contrasted with the rates before the war. For example, in October, 1921, the average actual earnings per day were four dollars and sixty cents compared with two dollars and ninety-three cents in October, 1913, an increase of fifty-seven per cent. It is currently estimated that the present-day cost of living is fifty-five per cent above the cost in 1914. In other words, what a dollar would purchase eight years ago it now takes one dollar and fifty-five cents to purchase. Thus it may be figured that the purchasing power of the wages paid by the Steel Corporation to its employees has just about kept pace with the increase in the cost of living as expressed by the current-day estimates.

Bonuses and Stock Offerings

It is a common thing nowadays for corporations to give their employees the privilege of subscribing to stock at a fixed price, payments usually to be made over a period. The Steel Corporation was one of the pioneers in this respect and has been offering stock to employees since 1903, when only preferred shares were offered. Since 1914 there have been no offerings of preferred stock, and offerings of common stock began in 1909. The number of common shares taken by employees has run as high as two hundred and fifty thousand shares in one year. The number of employees subscribing in one year has crossed the eighty-one thousand mark.

In March, 1921, a profit-sharing plan for employees was announced by which a certain percentage of profits, at varying amounts, is to be distributed to all employees in service at least a year.

For years there has been a lively discussion over the working hours of steel workers, with reformers laying particular stress on the twelve-hour day and seven-day week. On this point the remarks of Chairman Gary, at the annual meeting of stockholders in April, 1922, are pertinent. He said "Between October, 1920, and March, 1922, we reduced the twelve-hour men from thirty-two per cent of the workmen to fourteen per cent. Those fourteen per cent were engaged in what is termed continuous operations, where it was necessary to keep the machinery going uninterruptedly. There is no other practicable way." Again, he said "Our competitors believe in the twelve-hour day, and although they have more than once been requested to express an opinion, so far as we know they have not yielded to the desire of the lecturers and some publishers, well intentioned persons, to reduce the hours contrary to the wishes of the men."

Many, many times has the Steel Corporation been charged with being a monopoly. Many times has it been under Congressional investigation, legislative scrutiny, and, of course, the suit of the Government to dissolve the Corporation, which was begun in 1911, is well remembered. The lower court decided unanimously in favor of the Corporation, and in 1920 the United States Supreme Court held that the Corporation was not a trust within the meaning of the Sherman law. In short, the policies adopted by the Steel Corporation have been given a clean bill of health by all investigators and by the highest court in the country.

The illustration of what happened in 1909 when the Corporation went "hot-foot" after orders in the open market, indicates that competition exists in the steel industry—competition which the Corporation, as large as it is, cannot afford to ignore and, in an impersonal way, to anticipate.

Investment Values and Policies

Naturally, those who are interested, either actually or potentially, in the securities of the Steel Corporation must have the closest interest in its policies, for those policies are the defenses of interest payments and dividends. When the Steel Corporation was organized in 1901, it was generally admitted that the whole of the common stock represented water or potential earning power. Today the common shares have a rock-bottom founded book value of approximately two hundred and seventy-five dollars a share. For fifteen to eighteen years the Steel Corporation was busily growing up to its capitalization. That growth was conclusively ended during the war period and today the common shares are almost in the ranks of semi-investment issues. Obviously, the investment standing of the 5% bonds and of the 7% preferred stock is unquestioned and of the soundest. Both of these securities are selling not far from the high points of their price history.

Rated under THE MAGAZINE OF WALL STREET rating plan, U. S. Steel common shares would work out about as follows:

		Rating
(a) Character	Excellent	5
(b) Past Record	Excellent	5
(c) Future Possibilities	Excellent	5
(d) Management	Excellent	5
(e) Financial Strength	Excellent	5
(f) Earning Power	Very Good	4
Total		29

The common shares are selling on a basis where they return a dividend yield of less than 5%, and the feeling is spreading that the current dividend rate of 5% may be regarded as a minimum payment which will be safeguarded year in and year out, and the feeling is also spreading that when the full tide of business recovery sets in there will be dividend payments to the holders of Steel common well over and above the current rate of 5%.

An Improvement Suggested

In Which the Writer Comments on the Magazine of Wall Street Rating System and Suggests How Conclusions May Be Made More Comprehensive

Editor, MAGAZINE OF WALL STREET:

In your article, in the current issue of THE MAGAZINE OF WALL STREET, entitled "How to Select the Best Stocks," you develop a simple arithmetical formula for rating securities—and it is a good one. But, without going into some schemes of my own for algebraic ratings, I think your formula could be improved slightly in the following way, namely, by differentiating the elements that look to the past and those that look to the future. Thus, your elements are:

A Elements of character
B Elements of record
C Elements of possibilities
D Elements of control
E Elements of financial strength
F Elements of earning power.

Of these, A, C, and D obviously look to the future, B, E, and F to the past. And in rating a security by your method, if one used the device of a fractional presentment, and placed the rating figures for future elements above a line, and those for past elements below it, one could tell at a glance where the "emphasis of strength," so to speak, lay. Thus, in your own example of Am. Tel. & Tel. the rating would be

$$\text{Am. Tel. \& Tel.}\ \frac{5\text{–}5\text{–}5}{5\text{–}5\text{–}5}$$

showing that the corporation had a firm past and an assured future. But in the case of your example of Transcontinental Oil (though you do not give definite rating figures) the proper rating would be something like

$$\text{Transcontinental}\ \frac{5\text{–}4\text{–}3}{1\text{–}1\text{–}1}$$

showing that it is an operation with a rotten past but future possibilities. The upper ratings are 5 because it is an oil (essential commodity), 4 because it has good possibilities through its reserve unexploited large acreage, and 3 because its present management and control, with Standard affiliations, is at least fair. The lower ratings are 1 because of its poor record, 1 because of its overcapitalization and general financial structure, and 1 because of its poor earning record.

Adding these ratings in the two cases you get

$$\text{Am. Tel. \& Tel.}\ \frac{15}{15}$$

$$\text{Transcontinental}\ \frac{12}{3}$$

which gives a net rating as a combination of elements, but I think the separate elements in separate figures give a better key.

Do you not think that this fractional presentment more truly and more vividly reveals the real quality of the security or company sought to be presented?

Respectfully yours,
R. S. DOWST.

Which Is the Best $3 Stock?

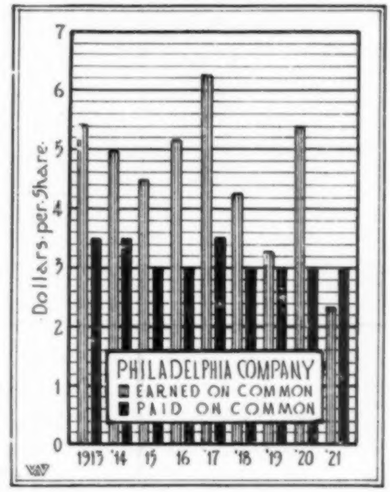
Results of a Search for Profit-Making Opportunities in Listed Stocks

By FRED L. KURR

AMONG the $3 dividend-paying common stocks there are several securities entitled to a good investment standing. In the accompanying table seven stocks are listed which appear to be in the soundest position and to have the best prospects of those that are paying dividends at a $3 rate. In fact, this is such a good list that the selection of the best one is not such an easy task. As in the article in the preceding issue on the best $2 stocks the question is answered under two sub-divisions, i.e.: Which is the best $3 stock from an investment standpoint? Which $3 stock has the best immediate speculative possibilities?

Basis for Comparison

Considering the first case, Texas Co. was eliminated for the reason that the capitalization has been increased from 370,000 shares, par $100, in 1916 to 6,578,000 shares of $25 par value at the present time. It is true that the company has made wonderful strides forward and has a highly efficient organization but the large number of shares outstanding to that extent impairs the investment position of the stock. Pacific Oil has undoubted future possibilities but this is an unseasoned security and earnings to date have only shown the dividend covered with a small margin to spare. R. J. Reynolds Tobacco has an excellent record and earnings in 1921 were highly satisfactory. Previous to 1921, however, earnings were at a rate which shows only a small margin over present dividend requirements. The big increase in earnings was largely due to the great success of the company's Camel brand of cigarettes, but one can never be sure whether public favor will continue to be bestowed on this brand to the same degree in the future. Electric Storage Battery is in a very strong position and looks attractive at present prices. Earnings are more than twice dividend requirements and the rate may be increased at any time. Montana Power also looks attractive for, with the copper companies operating again, earnings are now on a basis to admit an increase in the dividend to the old rate of 5%. Philadelphia Co. stock, however, is selected as it has a splendid record of earnings covering a long period of years and therefore is entitled to a higher investment rating than Montana Power or Electric Storage Battery.



PHILADELPHIA COMPANY

Philadelphia Co.'s earnings for the past ten years have averaged $3.80 a share on the common stock but the prospect is that in years to come a considerably higher earning power will be developed. The properties of the company and its various subsidiaries, comprise extensive plants and equipment for the production and distribution of natural gas, electric light and power and oil, as well as traction facilities for the operation of street railways. It supplies Pittsburgh and surrounding territory. The company's largest source of income at the present time is from its natural gas department but the electric light and power department is growing rapidly in earning power and bids fair in time to be the biggest money maker. For some years the company has received no return on its large investment in Pittsburgh Railways Co., which went into the hands of a receiver in 1918. This company is now being reorganized under agreement with the city which permits a 6% return on sixty-two millions capitalization. This will bring in additional income to Philadelphia Co.

In the accompanying graph earnings are shown as reported in the annual reports of the company. These earnings, however, only include the dividends received from its electric light and power subsidiaries. As the stock of these companies is all owned by Philadelphia Co. the undivided surpluses represent part of the earning power of the latter. In 1921 this undivided surplus was equal to $2.40 a share on Philadelphia Co. common stock so that actual earnings equaled $4.76 a share on the stock instead of the $2.36 shown in the annual report. In 1920 this undivided surplus equaled $1.70 a share and in 1919 $1.50 a share.

For the first three months of 1922 net income of all departments was 20% ahead of 1921 and if earnings continue on as favorable a basis Philadelphia Co. will earn close to $6 a share on the common for 1922, or twice present dividend requirements. This, of course, includes surplus earnings of all subsidiaries.

Philadelphia Co. stock is entitled to a high rating because (1), it is in an essential industry, the entire industrial life of Pittsburgh depending on the service it supplies. (2) It has demonstrated an earning power in excess of present dividend requirements over a long period of years. (3) The district served is one of the most important industrial centers in the United States and the demand for the company's product is almost certain to increase. (4) The management is conservative and has shown foresight in concentrating in the development of the electric light and power department. (5) Financial requirements have been financed for some time to come and the company is in a comfortable position. (6) All indications point to a steady increase in earning power. Philadelphia Co. common stock, therefore, is given 28 points out of a possible 30.

At present price of 38 the stock gives a return of 8% which is very satisfactory in view of investment standing to which the stock is entitled.

AMERICAN STEEL FOUNDRIES

American Steel Foundries is selected as having the best immediate speculative possibilities among the $3 payers, mainly for the reason that its principal business

HOW PHILADELPHIA CO. AND AMERICAN STEEL FOUNDRIES ARE RATED

	PHILADELPHIA CO.			AMERICAN STEEL FOUNDRIES		
Element	Qualifications	Rating	Rating No.	Qualifications	Rating	Rating No.
(1) Character	Necessity of modern life	Excellent	5	Essential industry	Good	4
(2) Past Record	Steady earning power	Excellent	5	Affected by depression	Fair	3
(3) Future Possibilities	Demand always increasing	Excellent	5	Has a promising business	Good	4
(4) Management	Conservative	Excellent	5	Conservative	Excellent	5
(5) Financial Strength	In comfortable position	Good	4	Large working capital	Excellent	5
(6) Earning Power	Increasing in electric department	Good	4	Increasing	Good	4
Total points in favor			28			25

THE BEST $3 DIVIDEND-PAYING STOCKS

	Capitalization			‡Earned Per Sh.				
	Bonds	Preferred	Common	1919	1920	1921	Price	Y'd
Am. Steel F'dries...	$340,800	$8,381,300	†$20,401,000	$6.97	$6.22	$0.13	37	8.1
Elec. Stor. Bat....	None	87,500	*795,673 shs.	6.03	7.74	7.04	46	6.5
Montana Power.....	32,303,000	9,671,800	$49,633,300	3.87	5.27	1.99	72	4.2
Pacific Oil........	None	None	*3,500,000 shs.	....	....	4.63	55	5.4
Philadelphia Co....	41,515,000	§15,989,250	§$42,943,000	3.24	5.40	2.36	38	8.0
R. J. Reynolds T...	1,453,000	20,000,000	¶60,000,000	4.40	3.87	6.19	46	6.5
Texas Co.........	None	None	¶164,450,000	2.84	4.72	1.41	45	6.4

* No par value. † Par value $33⅓. ‡ Based on present capitalization. § Par value $50. ¶ Par value $25.

is the manufacture of equipment for railroads and the outlook for this industry is exceedingly promising at the present time. It is the largest manufacturer of cast iron car wheels and also makes steel castings for wheel centers, bolsters for freight cars, brake beams and springs. That the railroads have neglected their equipment needs there is no question and as they are rapidly getting on a more prosperous basis large orders to companies such as this one are in sight. In spite of the very unfavorable conditions prevailing in 1921 the company was able to show a small balance for the common. For the first quarter of 1922, fifty cents a share was earned on the common, although the company was only operating at 50% of capacity. For the past few months operations have been at 75% capacity and the dividend is being earned with a fair margin to spare. Of the company's total capitalization 47% is represented by working capital. This strong financial condition enabled the company to maintain dividends through the depression of 1921 and now that business is on the upgrade the present rate of $3 seems secure. At present price of 37 the yield is 8.1%. The stock has not been a speculative favorite for some time and fluctuations in price have been within a narrow range. **It is only up 7 points from the 1922 low price and does not appear yet to have fully discounted the improved outlook.**

Note: This is the second of a series of articles showing the best stocks in each dividend-paying group. In this issue, the best stocks paying $3 dividends per share annually are discussed. In an early issue will be found an analysis of the best stocks paying $4 per share in dividends. In later issues the best stocks paying from $5 to $8 a share will be pointed out.

Common Stocks That Are Close to Dividends

Companies That Are in a Strong Financial Position and Whose Earnings Warrant Dividend Resumption on Their Junior Shares

By FREDERICK LEWIS

THE general improvement in business conditions, together with easier money, have placed many corporations in a position to start dividends at once on their common stocks. Just when directors will take favorable action cannot of course be definitely forecast but with financial condition strong, earnings on the increase and outlook encouraging, common stockholders are justified in taking the view that a return on their investment is fairly close at hand.

A list of common stocks that can be classed as probable dividend payers within a year's time would be a very long one, too long to be covered in this article. Only those companies, therefore, whose earnings and financial strength appear to justify the immediate payment of common dividends, are included in the accompanying table. Several of these common stocks may be on a dividend basis before the close of the current year and, unless there is a fundamental change in conditions, of which there is no indication at the present time, they should all be paying dividends before the middle of next year at the latest.

Of course, the fact that a stock is going to resume dividends in the near future, does not always mean that a purchase will result in a substantial profit. In fact frequently the dividend payment is fully discounted before the official announcement is made and just as much discretion should be used in taking on near-dividend payers as in the case of any speculative security. For example, Sinclair Consolidated was selling several points above its present market price before it was put on a $2 basis. In this case the good news had at least temporarily been more than discounted. On the other hand, North American common is selling a good many points above its price on May 23 when the dividend was increased from $3 to $5. **As a rule the stock of a company that has a good record over a long period of years is likely to gradually work higher after dividends are declared for the reason that its past record gives it a certain standing among investors and this results in a demand from investment sources which gradually lifts the stock to higher levels.** In the case of an unseasoned security there is no such investment demand and the stock does not do so well when the good news it out.

American Can

American Can Co. has been showing good profits for a long period of years. As shown in the accompanying table earnings during the past ten years have averaged $7.50 a share on the common stock and as no dividend payments have been made on this issue earnings have gone back into the property adding to the asset value of the common stock. Working capital is now close to thirty million, as compared with less than half of that amount before the war. In addition, the company has put up several new plants and is able to handle a much larger gross business. This year, American Can was able to finance its tin-plate requirements without resorting to short-time financing. The company has demonstrated a remarkably steady earning power, and even in 1921, when the canning industry took big slump, due to the over-supply of canned goods, $2.77 a share was earned on the common.

There have been many disappointments in the past in regard to dividend action on the common stock and it is possible that dividends will not come as soon as the facts seem to warrant. The record of the company and its conservative management justifies giving the stock a good investment rating once dividends are resumed. **The best course of action in regard to this stock would appear to be to wait the declaration of the dividend before purchasing. Once this company starts dividends it should be able to maintain them and in years to come increase the rate as the canning industry is one that is showing and should continue to show a steady increase in volume from year to year.**

American Smelting & Refining

American Smelting & Refining Co. paid dividends on its common stock from 1904 to 1921 without a break. In 1921, conditions were the most unfavorable the company ever faced as practically all the large

copper companies suspended operations and the mining industry generally was stagnant. Under these circumstances the company did very well to show 3.42% earned on the preferred. Conditions now are very much improved. Not only have the large copper companies resumed operations but there has been a general increase in all mining activity. Conditions in Mexico are very much improved and the company has increased its operations there materially. With a strong balance sheet and its physical properties in good condition the outlook for the company is very promising at this time.

Under normal conditions American Smelting should easily be able to maintain a $4 dividend on the common with a higher rate in times of unusual prosperity. For the first six months of 1922 the preferred dividend was earned with a margin to spare and the second six months should show up very much better. When a common stock such as American Smelting with a long dividend record resumes payments there is an immediate investment demand for the stock. **At present price of about 60 dividend payments have of course been discounted to a certain extent but the stock would appear to have possibilities of a considerable further appreciation in value if held for the long pull.**

Anaconda Copper

Anaconda Copper, through the recent acquisition of American Brass Co., now has an outlet for all the copper it can produce. Anaconda was shut down through practically all of 1921, production being resumed in January of this year. This company has a large output of silver and, as it gets $1 an ounce under the Pittman Act, its cost of producing copper is brought down to a very low figure. It is anticipated that a fair profit will be made by the company this year and as it is in strong financial condition a resumption of dividends can be expected within six months. Anaconda is one of the leaders in the copper group and the position of this class of stock is favorable at the present as metal stocks are much smaller and still being reduced. **At present price of around 52 it has good speculative possibilities.**

Baltimore & Ohio

Baltimore & Ohio has made a remarkable come-back in earnings this year. For the first five months earnings, allowing for seasonal fluctuations, were at the rate of $12.40 per share. There is another good reason for anticipating that the common will be placed on a $4 basis before the end of the year. Baltimore & Ohio mortgage bonds are legal investments for savings banks and trust companies in this state at this time because of an amendment of Congress in 1918 to the Banking law providing that the time during which any railroad is operated by the United States and two years thereafter shall not be taken into consideration in determining whether the bonds comply with any of the provisions for legal investments. The two-year period referred to expired March 1, 1922, so that Baltimore & Ohio has until March 1, 1923, to place its common stock on at least a $4 basis if it intends to keep its bonds on the legal investment list. It of course is highly important for any road to maintain a high credit and there is every reason to believe that the common stock will be a $4 payer in the near future. **Baltimore & Ohio common stock in the past has been a popular investment stock and if dividends are resumed should sell at higher levels than those now prevailing.**

Brown Shoe

Brown Shoe plants are now operating at 100% capacity and it is anticipated that the company will do a gross business this year of $30,000,000. This should result in profits of between $10 and $15 a share on the common, as inventories in 1921 were marked down to a very low figure. Since the first of the year the company has succeeded in liquidating all of its bank loans and is apparently in a position to resume dividends at any time. This stock is not a seasoned security and will probably have the major portion of its advance prior to the dividend announcement. **The stock has not had a very extensive advance as yet, however, and appears to be in an excellent technical position for a substantial upward move. Dividends may be started at as high a rate as 6% in which case the present price of 52 would be low. It is a promising speculation.**

Continental Can

This company has an excellent record over a long period of years and under normal conditions should be able to maintain a $6 dividend rate. Business is reported as 50% ahead of last year. **At present price of 77 the stock is up about 30 points from this year's low and would appear to have fairly well discounted the improved outlook. For the long pull, however, it is not unattractive.**

Jones Tea

Jones Tea came through the period of depression in good shape having succeeded in avoiding red-ink figures. The company in the past, however, has not shown a very large earning power. Its best year was 1919 when $3.50 a share was earned on common. Better results in the future are expected, however, as many new stores are now being operated. As the financial condition of the company is good dividends are expected in the near future but it is anticipated that the rate will probably not be over $2. **At present price of 44 the stock appears to have pretty fully discounted dividend resumption.**

Kennecott Copper

Kennecott Copper made one of the best showings of any of the copper companies in 1921, this was due to the fact that its low-cost Alaska mines could be operated at a profit in spite of the low price of copper. For the full year there was a deficit of less than half a million. This company owns the Braden Copper Co. with a mine in Chile which has a capacity of 135,000,000 lbs. a year. It is estimated that Braden operating at capacity can get costs down to under 9 cents. Kennecott also owns a large block of Utah Copper stock and controls Motherlode. Kennecott is prominently mentioned as the company to head the copper merger. **At 35 the stock is down four points from the year's high and, while it may be slow, appears to have an excellent chance for further appreciation in value.**

Pressed Steel Car

Pressed Steel Car is in good financial condition and orders for cars have been coming in at a much better rate this year. Moreover, the outlook is very encouraging for a still larger volume of business. In March, 1921, stockholders approved a recapitalization plan which provided for the exchange of preferred stock into an equal amount of common and the declaration of a 20% stock dividend. The slump in business in 1921 held up this plan but with business on the mend it is possible

(*Continued on page* 551)

COMMON STOCKS THAT ARE CLOSE TO DIVIDENDS

	Capitalization			Last Common			10 Years'			Price Range 1922	
	Bonds	Preferred	Common	Dividend			Average Earnings	‡Working Capital	‡Floating Debt	High	Low
American Can	$9,655,500	$41,233,300	$41,233,300		None		$7.51	$29,736,047	None	59⅞	32⅛
American Smelting	34,930,500	50,000,000	60,998,000	$1.00	March,	1921	10.67	44,652,647	None	67½	43⅝
Anaconda	47,451,000	....	♯150,000,000	1.00	Nov.,	1920	†6.33	47,967,133	None	57	47
Balt. & Ohio	500,107,562	58,863,276	151,945,549	2.00	March,	1919	4.73	....	......	58¼	33½
Brown Shoe	None	5,262,500	8,400,000	1.75	Sept.,	1920	§7.97	8,071,321	$2,900,000	54⅛	42
Continental Can	None	4,180,000	13,500,000	1.75	July,	1921	7.49	2,957,718	1,000,000	71½	45¾
Jones Tea	None	3,840,000	10,000,000	0.50	Oct.,	1920	¶2.70	3,178,843	None	47	34½
Kennecott	15,000,000	....	*2,788,213 shs.	0.50	Dec.,	1920	♮3.00	25,775,119	None	39⅝	25½
Pressed Steel Car	3,120,000	12,500,000	12,500,000	2.00	June,	1921	10.14	7,948,259	$1,600,000	83¾	63
U. S. Realty	9,254,000	....	16,162,800	1.00	Feb.,	1915	♭8.07	♭3,065,722	♭None	72½	55¾

* No par value. † Eight years' average. ‡ As of Dec. 31, 1921. § Nine years. ¶ Five years' average. ♯ Par value $50. Includes $11,656,250 sold at par; also stock issued in exchange for American Brass Co. shares. ♮ Seven years' average. ♭ Year ends April 30.

Looking Into the Chicago Market

Brief Analyses of the More Prominent La Salle Street Investments

By JAMES W. MAXWELL

CHICAGO has a security exchange which, while comparatively small, embraces many of the standard investment issues of the country and merits more than passing attention for that reason.

Among the more prominent securities dealt in on this market may be mentioned:

Armour Leather
Libby, McNeil & Libby
Quaker Oats
Continental Motors
Stewart Warner
Standard Gas & Electric
Union Carbide & Carbon
Wm. Wrigley

Of this arbitrary list, which issues offer the best investment opportunities? From which issues would it seem wise to switch? What is the situation and the outlook in each company? So far as can be done by means of brief analyses, it is the purpose of this article and a succeeding one to answer these questions.

ARMOUR LEATHER COMPANY

A Chicago Investment Favorite—Company's Recent Misfortunes—Should It Be Held?

AS an off-shoot of the enormous packing business established many years ago by J. Ogden Armour, the Armour Leather Co. has a strong hold on the affections of the Chicago investment community. On its own merits, the company is distinctly to be reckoned with, since it represents one of the largest single investments in the American leather industry and three years ago was doing a gross business of nearly 100 million dollars a year.

Control of the company passed from private into public hands in 1920 when it was organized as a separate entity and there was issued $10,000,000 preferred, $15,000,000 common and $100,000 Founders' shares.

The organization of Armour Leather, and the sale of control to the public was described at the time as in response to a certain trend of public opinion, and was not attributed to pressure or duress. It was stated that the company would not lose the fully tangible and very great value of Armour backing through the procedure; on the contrary, Armour & Co. would retain a very lively interest in the form of the 100,000 shares of Founders' stock which it was to take over at $5 a share. A good deal was made of the immense gross business which the company had been doing for some years, and it was believed that the shares in the new entity would prove highly safe and no doubt profitable investments.

Since Armour Leather was formed, however, the packing, leather and allied trades have gone through one of the most sensational convulsions in the history of the packing world. As everyone knows, the record-breaking export trade speedily petered out, stocks in this country piled up in enormous proportions in the face of excessive price declines, and a general state of demoralization set in. The result was a complete upset in Armour Leather fortunes and its transformation from a highly profitable business into a business operating at a deficit.

In figures, the story of the Armour upset shows in the following comparison, which records net profits after Federal taxes (in thousands) for the last six years: 1916—$4,473; 1917—$3,565; 1918—$3,707; 1919—$6,196; 1920—Def. $4,314; 1921—Def. $7,564.

The disappearance of profits naturally exerted its effect on dividends. The following had been the Armour Leather record on its various securities up to the time of the crash:

7% Cum. Preferred: Initial dividend April 1, 1920. Quarterly thereafter to April, 1921.

Common: Initial dividend of 60c. per share May, 1920. Second dividend of 30c. per share September, 1920.

Founders' Shares: Same record as common stock.

Since September, 1920, there have been no dividends on the common or the Founders' shares. Since April, 1921, there have been no dividends on the preferred.

This brief record does not encourage enthusiasm in Armour Leather shares, especially with the non-dividend paying preferred selling in Chicago around $86 per share and the non-dividend paying common around $12 (or 80% of par, equivalent to $80 for a $100-par stock). Against it, however, must be placed the more encouraging features of the present situation. Thus, an inspection of the latest balance sheet shows the company to be in a strong asset position, with net current assets of considerably more than $2,000,000. Its supply of cash as of October, last, was greater by $1,500,000 than the same item in November, 1919. This good financial position is more impressive considering the sweeping reductions effected in inventories in 1921, actually amounting to over $8,000,000 as compared with the previous year. Furthermore, with its

COMPARATIVE INVESTMENT MERITS OF CHICAGO SECURITIES

Based on The Magazine's new rating average, as described by Mr. Wyckoff in the July 22nd issue, in which the six elements

A—Character
B—Past Record
C—Future Possibilities
D—Management
E—Financial Strength
F—Earning Power

are taken into consideration, a total of 5 points being the maximum rating for each individual element and a total of 30 points being the highest rating, all elements considered for each security, the following rating average is shown for the Chicago securities analyzed in the accompanying article:

Armour Leather		
A	3	19
B	3	
C	3	
D	4	
E	3	
F	3	

Continental Motors		
A	3	24
B	4	
C	4	
D	5	
E	4	
F	4	

Libby, McNeil & Libby		
A	3	17
B	3	
C	3	
D	4	
E	2	
F	2	

Quaker Oats		
A	5	30
B	5	
C	5	
D	5	
E	5	
F	5	

financial bulwarks re-established, the company is now experiencing a considerable improvement in trade, where the corner seems to have been rather definitely turned, as evidenced by profitable operations for the six months to April 30th.

The records favor the conclusion that, under ordinarily good conditions in the industry, Armour Leather would be a large earner and capable of producing satisfactory profits for its stockholders. But after the period of stress it has just gone through, the company promises to be some time in restoring on a strong commercial footing.

The most that is claimed for the company in the way of earnings this year is about $1,500,000 net, so the common shares, which are subordinate to a cumulative preferred dividend of $700,000, can hardly be said to be in a good position.

LIBBY, McNEIL AND LIBBY

Depression's Serious Effects—Company's Increased Obligations—Stock Selling at $2 a Share in Chicago

PRIOR to a Government decree entered in 1919 which compelled the great Chicago packing companies to dissociate themselves from certain branches of their business, Armour and Swift, in what was presumed to be an effort to meet public opinion half way, voluntarily divested themselves of certain substantial subsidiaries.

Libby, McNeil & Libby was the unit given over by the Swifts. It represented an extensive organization for packing and canning food products, having plants throughout the United States as well as extensive interests in Hawaii and Alaska, and a world-wide market for its products. The division was effected under an agreement giving Swift stockholders the right to exchange one-tenth of their holdings in the parent concern for Libby McNeil stock, par for par.

As in the case of Armour Leather, the transaction above described had hardly been effected when calamity broke loose. Government supplies of canned foods were dumped on the market for just about what they would bring, the export market practically disappeared, and Libby's inventories, maintained, according to custom, well in advance of the market and larger probably than at any time in the organization's history, presented a really stupendous problem in marketing.

The situation called for drastic action, and got it. To meet capital needs, an issue of $10,000,000 1st mortgage bonds was sold, bearing 7% interest and maturing in 1931. Inventories were scaled down to about half the 1921 total of $36,000,000. Notes payable were worked down from $23,000,000 to about $12,000,000. The dividend on the stock was discontinued.

The strenuous efforts of the management to bolster up the company's finances was successful for the time, but proved inadequate as the wave of liquidation swept on. By the time the company's accounting had been made for its financial year 1922 (ending March 4th) a net loss of over $22,000,000 was reported shown, capital was again seriously impaired and the necessity of securing new working funds was again confronted.

In the new crisis, Libby's management resorted to an issue of preferred stock. Formerly the company's capitalization had consisted of the bonds referred to above and $27,000,000 stock all of one class and par value $10. Under the new plan, this latter issue was reduced $6,750,000, and a new issue of $25,000,000 preferred (par $100) was created.

Thus, as a result of the 1920-21 débâcle which it is not permissible to term a panic, Libby, McNeil & Libby was forced to put a $10,000,000-funded debt, in the form of 10-year bonds, and an authorized $25,000,000 issue of 7% cumulative preferred stock ahead of what had been its single class capital stock, thus assuming obligations in the form of interest and cumulative dividends of $700,000 and $1,260,000 respectively and annually (assuming that $18,000,000 of the 7% preferred will be immediately issued) or a total of $1,900,000. In other words, with $18,000,000 of the new preferred issued, the company would have to earn $1,900,000 annually before a balance could be shown for the common shares.

Based purely on the record, it is difficult to see how the company can manage to get results of any proportions for its common stock for some time to come. During the seven most active and profitable years in the industry, viz., from 1914 to 1920, the company's net profits after taxes are estimated to have averaged not more than $2,600,000, and it does not seem conservative to anticipate as good profits during the next seven years.

On the other hand, it is well to remember that Swift interests are actively associated with Libby, McNeil & Libby; also that the company's recent troubles have been due to conditions totally unprecedented in the packing world and, finally, that a real turn for the better seems to have finally occurred in the company's business.

Libby, McNeil & Libby common (new) is selling on the Chicago market at $2 per share, equivalent to $20 per share for a $100 par value stock. The old stock was selling around 8, as compared with a high of 32⅞ in 1920. (The new stock bears the ratio of 4 to 1 of the old.)

Viewing the company from the industrial standpoint, the outlook seems to point rather definitely toward a gradual improvement in earnings, to conform with the general improvement in domestic business conditions and the slight upturn in foreign trade. From an investment point of view, comparatively little can be expected of the shares for some time to come; but the company is too firmly intrenched and engaged in too nearly essential a business to permit doubts of its eventual recovery, especially considering the character of its backing; hence, as "long-pull" purchases, Libby shares are rather inviting.

Where the Chicago Stock Exchange Is Located

As a shareholder whose holdings in Libby show a loss at the present time, the writer would be tempted to retain the investment, if he could afford it, in expectation of an eventual recovery. For prospective purchasers, the speculation consists in uncertainty as to the time that will be needed for the company to get out of the slough.

CONTINENTAL MOTORS CO.

Another Victim of 1921 Depression—Trade Position Secure—Outlook Improving

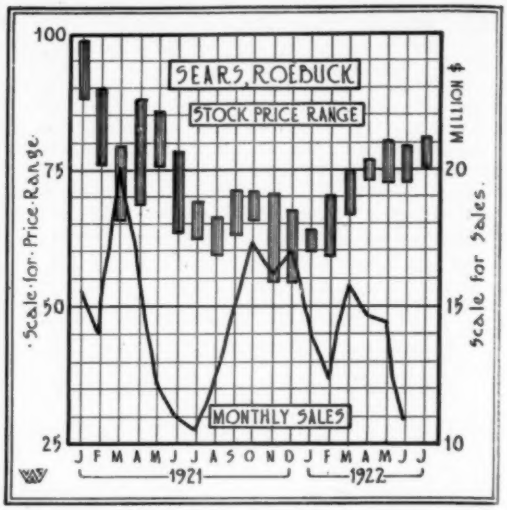
A MANAGEMENT which had demonstrated its ability by building up the Continental Motors organization in a comparatively short time to the position of the largest manufacturer of gasoline engines exclusively in this country was helpless before last year's tidal wave of depression. The company's operating results, which had soared from about $2,000,000 in 1917 to nearly $6,000,000 in 1920, were transformed into a deficit of about $100,000 in 1921; and after dividends had been paid the company showed a loss of over $1,500,000.

The experience has not altered the company's trade position, however. Continental Motors continues a principal factor in motordom, and is equipped both financially and physically to make substantial prof-

(*Continued on page 562*)

Sears, Roebuck & Co.

Company Begins to See Daylight



Persistent Liquidation of Current Liabilities—Financial Position Shows Improvement—When Will the Shares Pay Dividends?

By A. T. MILLER

JULIUS ROSENWALD, president of Sears, Roebuck & Company, is a hard-headed business man as well as an eminent philanthropist. He is also intensely interested in his company, the marvelous growth of which has been largely due to his genius. When Sears-Roebuck hit the rocks last year, it looked for a time as if something drastic was going to happen to this national institution, but Rosenwald closed the gap and magnanimously came forward with a gift of five million dollars, at the same time taking off the company's hands some of its real estate. Through this action the company was saved from serious consequences. In fact, the turning point in its recent career may be said to date from that point. For since that time, the finances of Sears, Roebuck have steadily improved and, while it is not completely out of the woods, the company is in a position where it soon will see daylight.

A Bit of History

Before Mr. Rosenwald came forward with his generous offer, the company found itself seriously entangled with current obligations. In fact, business was so bad that a capital deficit was threatened by the end of the year. For example, profit and loss surplus which stood at $33,500,000 at the end of 1919, had shrunk to $7,600,000 by the end of 1920 and, even including Mr. Rosenwald's grant, amounted to only $1,700,000 at the end of 1921. It can be seen from this that the gift came just in time to spare the company from impairment of its capital resources.

With this danger averted at such a comparatively recent date, it is evident that Sears, Roebuck has a long way to go before it builds up a sizeable surplus, such as a company of this size and importance must have.

The problem which Sears, Roebuck faced last year was one principally of reducing its inventories, which were swollen to tremendous proportions, to reduce its receivables, to reduce bank loans, including the redemption of its three-year notes falling due next October, to reduce its accounts payable, all with the ultimate object of improving its liquid position. In practically all respects improvement has been made. Even at the end of last year, inventories were cut to $46,000,000, compared with the previous figure of $105,000,000. Accounts receivable dropped by seven million and notes and accounts payable were reduced by about seventeen million. At the same time, Mr. Rosenwald's gift immediately increased the cash item by four million. Without going too deeply into figures, it is evident that even so far back as six months ago, coinciding with Mr. Rosenwald's gift, the company commenced to approach a stronger financial position.

Obligations to Be Met

What progress can Sears, Roebuck make financially during the balance of this year? In order to estimate the probabilities it is first necessary to ascertain what the year's obligations will amount to. Briefly, Sears, Roebuck's liabilities to be met in 1922 are as follows: $16,500,000 serial notes due October 15; $2,300,000 interest on $33,500,000; outstanding serial notes; $2,100,000 6% scrip dividend on common stock declared last January and due August 15 next; and about $1,100,000 interest on bank loans.

The total of these liabilities is approximately $22,000,000, all of which must be met this year. It is of interest to note that in its best year, 1919, the company was able to earn only a little over eighteen millions, so that, even if results this year were to duplicate those of 1919, the company would still fall shy of meeting its maturing obligations by something over three millions. Obviously, earnings this year, even though improved over last year, are not going to exceed those of 1919, so that a deficit will occur with regard to meeting current obligations. This amount will have to be secured from the banks.

It is evident that while the company is making, and will continue to make, financial progress, it will not be on a real money-making basis until this year is ended. Then with current liabilities largely reduced and with inventories down to normal and with sales on a satisfactory basis, it should revert to something like its old-time earning power.

In a word, it would appear that Sears, Roebuck stockholders have probably at least a year to wait until dividends are resumed.

However, there is no question that the trend for the company is upward. The difficulty is that it is in a position where it must make up some of the losses accruing from the depression of last year. This will take a considerable period and it is not likely that directors will care to declare dividends on the common stock until they have again piled up a goodsized surplus behind the company.

Conclusion

The preferred stock on which 7% dividends have been paid regularly since 1906, is a first-class investment and is attractive for investment at current levels of 105, giving a yield of 6 2-3%

The common stock is mainly a long-pull proposition, but of undoubted merit. It has been under persistent accumulation for a long period and seems ready for higher prices in anticipation of the more favorable earnings which are expected in the balance of this year.

SEARS, ROEBUCK & CO.
WORKING CAPITAL

	1915	1916	1917	1918	1919	1920	1921
Total current assets	$25,149,257	$36,287,753	$52,792,334	$71,190,747	$79,071,028	$165,018,951	$109,078,143
Total current liabilities	5,725,149	13,276,219	32,998,304	46,939,179	35,869,431	56,680,074	37,156,652
Net working capital	$19,424,108	$23,011,534	$19,794,130	$24,251,568	$43,201,597	$108,338,877	$71,921,491

Inquiries on Industrial Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

AMERICAN SUGAR REFINING

Increased Demand

I have held 50 shares of American Sugar Refining stock for investment for several years and, as you know, there has been no return on this stock for a year. As it has now come back to 80 I am considering taking my loss of about thirty points and switching into a good dividend-paying stock. Do you believe this to be the right thing to do? If so, will you suggest something that pays a good dividend now and that would offer some possibility of in a year or two making up the loss in my principal?—S. J. R., Holyoke, Mass.

The recent advance in American Sugar Refining Company has been due to the improved conditions under which the company is now operating. Raw sugar duty paid has advanced because of increased demand from 3.35 cents around the first of the year to about 5.10 cents at the present time. An advancing raw-sugar market is to the advantage of the refiners as time must elapse between purchase of raws and sale of refined which results in a profit in inventory account in addition to the refining profit. It also is benefited in that it owns two large producing estates in Cuba with an output of close to a million bags. All this, of course, forecasts satisfactory earnings in the current year. A very early resumption of dividends, however, is not looked for as the company had very heavy losses in the past two years and will probably build up its depleted surplus before paying common dividends, especially as it still has a few millions to write off for bad accounts resulting from the numerous contracts made in 1920 for delivery of sugar at 22½ cents.

We feel that American Sugar is on the upgrade and that if you have patience there is an excellent chance that your loss will be made up in time. If you feel that you want an immediate return on your money, however, we would suggest a switch into Chicago Pneumatic Tool paying $4 per share and selling around 70. Working capital of this company alone is equal to $66 a share and there are no bonds. Charles M. Schwab is Chairman of the Board. In the past the stock has paid 8% and in our opinion is likely to do so again and show a material appreciation in value.

SPECIAL REPORT DEPARTMENT

We have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be submitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

NEW YORK DOCK

Sale of Property Rumored

Would appreciate a few words from you relative to the common stock of the New York Dock Co. of which I hold a few shares.—M. W. G., Brookline, Mass.

There has been considerable activity in the stock of the New York Dock Co., due to rumors that there is a possibility of a sale of some of its property on terms which would justify higher prices for the stock. In our opinion, this hoped for purchase of properties is probably the only justification for being bullish on the stock, as the operating reports show a considerable falling off in earnings. For the six months of the current year, surplus was $376,357 as against $604,944 for the same period in 1921. It would not, therefore, seem that the common stock is particularly attractive at present prices, judging from the business which the company is doing at present, but in the event of consummation of a sale of its properties on a favorable basis to other interests it may have a substantial advance.

$25,000 TO INVEST IN HIGH-GRADE COMMON STOCKS

Seven Stocks Suggested That Give An Average Yield of 6.6%

I have set aside $25,000 of my investment funds for the purchase of good dividend-paying common stocks. Would appreciate suggestions from you of a few issues that you regard favorably. I prefer stocks of companies that have a good record and are in good financial condition. A 6 to 7% return would be satisfactory, but I want stocks that have a good chance of appreciating in value if held for a few years.
O. A. R., Washington, D. C.

For the investment of $25,000 of the best grade of dividend-paying common stocks we are pleased to suggest the following list:

Stocks:	Dividend	Price	Yield
Westinghouse Electric	$4.00	60	6.6%
Standard Milling	8.00	115	7.0
Philadelphia Company	3.00	38	8.0
American Locomotive	6.00	115	5.2
American Telephone	9.00	122	7.4
American Car & Foundry	12.00	166	7.2
United States Steel	5.00	101	4.9

These companies are all in very strong financial condition and have shown excellent earnings over a long period of years. The dividends look very safe and likely to be increased in the future.

Standard Milling is perhaps not as well known as the others, but this company has shown earnings averaging 18% per annum for the past ten years, and during the period of depression succeeded in covering its dividend with a good margin to spare. In the past it has paid extra cash and stock dividends and this policy is likely to be resumed in the near future. In 1919 and 1920 the stock sold up to 160.

If you select the above stocks you will get a good return on the money, 6.6%, and, in our opinion, there would be an excellent chance of a material appreciation in principal.

TOBACCO PRODUCTS CORP.

Exchange of Securities

As United Retail Stores stock is exchangeable share for share for stock of Tobacco Products why does it sell so much lower than the latter?—K. J. W., Chicago, Ill.

The basis of exchange of Tobacco Products and United Retail Stores stocks for the stock of the new Tobacco Products Corp. is not identical. The stockholders of Tobacco Products have the right to exchange their stock share for share for new non-cumulative 7% pfd. stock in the new company; or exchange their holdings one-half for the new pfd. and one-half for common; or exchange share for share for the common. The last two options only are offered to holders of United Retail Stores stock. They cannot exchange share for share of the New Pfd., as can stockholders of the old Tobacco Products Co. This is the reason for the difference in the price of the stocks.

AMERICAN TOBACCO

Yields 8.4%

What is the capitalization and earnings of American Tobacco? Do you consider the stock a good buy?—H. T. J., Lexington, N. C.

American Tobacco Co. has outstanding a funded debt of $7,737,715; $52,695,700 6% cumulative preferred; $40,242,000 common Class A and $49,344,000 Class B. Its report for 1921 showed earnings of $16.84 for the common shares. The company is in excellent financial condition and we consider the stock has good speculative possibilities for enhancement in value. At present price of 143 it yields 8.4% which is very attractive for the stock of a company that has as long and successful a record as American Tobacco.

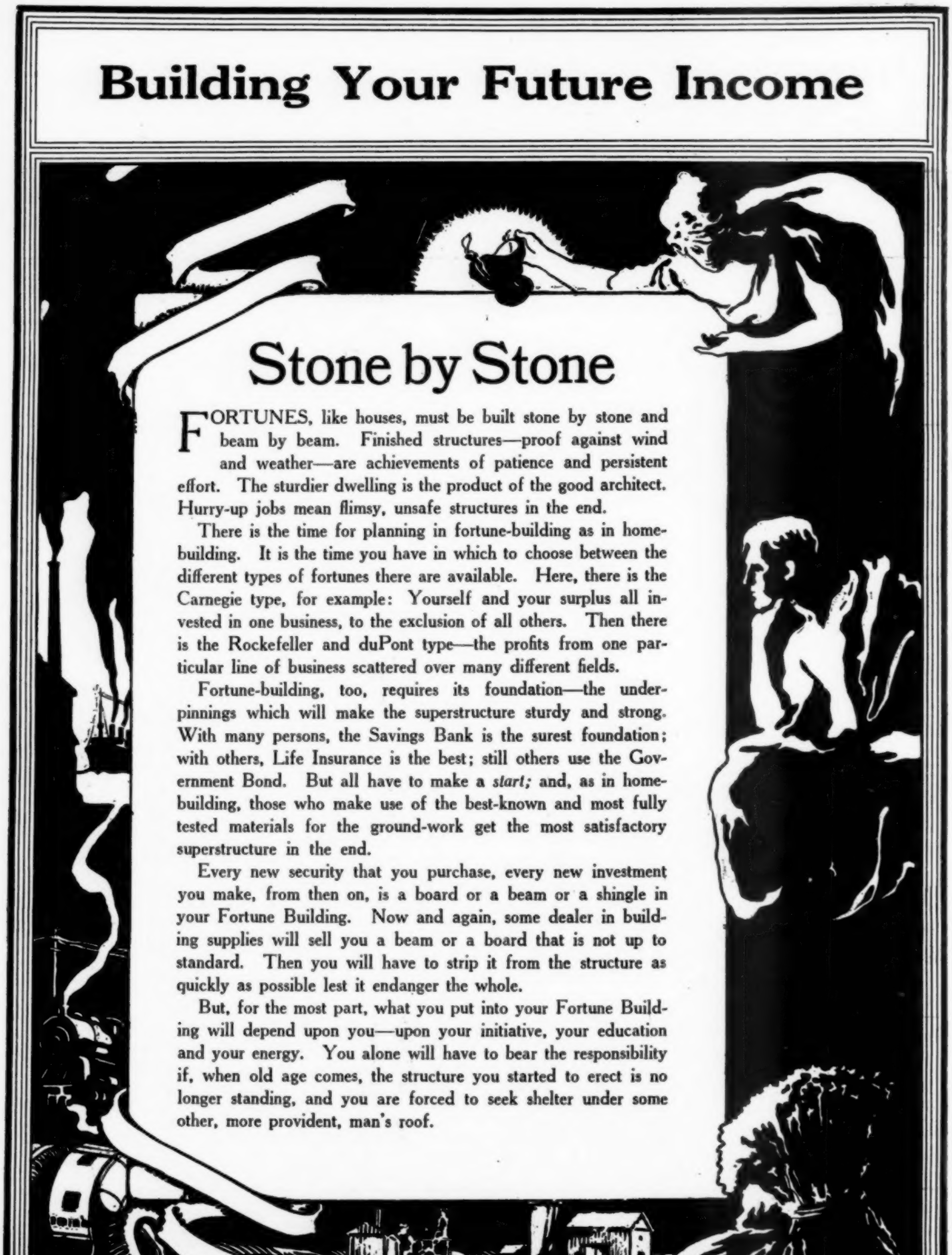
PACIFIC GAS & ELECTRIC

Good Business Man's Investment

Do you believe that the Pacific Gas & Electric Co. will in the near future declare a large stock dividend or raise the present dividend rate of 5% on the common? It appears to me that in a short time earnings will warrant it. — D. L. E., Harrisburg, Pa.

Pacific Gas & Electric has from time to time distributed small stock dividends, the last one was 2%, paid to common stockholders of record December 31, 1921. In 1920, the com-

(*Continued on page 546*)


Building Your Future Income
Stone by Stone
FORTUNES, like houses, must be built stone by stone and beam by beam. Finished structures—proof against wind and weather—are achievements of patience and persistent effort. The sturdier dwelling is the product of the good architect. Hurry-up jobs mean flimsy, unsafe structures in the end.
There is the time for planning in fortune-building as in home-building. It is the time you have in which to choose between the different types of fortunes there are available. Here, there is the Carnegie type, for example: Yourself and your surplus all invested in one business, to the exclusion of all others. Then there is the Rockefeller and duPont type—the profits from one particular line of business scattered over many different fields.
Fortune-building, too, requires its foundation—the underpinnings which will make the superstructure sturdy and strong. With many persons, the Savings Bank is the surest foundation; with others, Life Insurance is the best; still others use the Government Bond. But all have to make a *start;* and, as in home-building, those who make use of the best-known and most fully tested materials for the ground-work get the most satisfactory superstructure in the end.
Every new security that you purchase, every new investment you make, from then on, is a board or a beam or a shingle in your Fortune Building. Now and again, some dealer in building supplies will sell you a beam or a board that is not up to standard. Then you will have to strip it from the structure as quickly as possible lest it endanger the whole.
But, for the most part, what you put into your Fortune Building will depend upon you—upon your initiative, your education and your energy. You alone will have to bear the responsibility if, when old age comes, the structure you started to erect is no longer standing, and you are forced to seek shelter under some other, more provident, man's roof.
H.S.R.

Stick!

Successful Investor Advised to Keep in His Field

THE letter which follows, recently received, deserves the special consideration of Income Builders:

I have been a very thorough reader of THE MAGAZINE OF WALL STREET *for a long time, purchasing it at the newsstands for several years, and a regular subscriber for the past three years. My first salary was two dollars ($2) a week as an errand boy in a drygoods store. I have implicit confidence in your publication, and have faithfully tried to follow your advice or opinions, which have not always been correct, but seldom very far wrong.*

First—I followed your advice to purchase my own home. I financed it on the Partial Payment Plan. Today it is clear and unencumbered, and conservatively worth eighteen thousand dollars ($18,000).

Second—I followed your advice regarding Life Insurance. I now have seventeen thousand five hundred dollars ($17,500) worth of twenty-payment life insurance in the Massachusetts Mutual Life Ins. Co., of Springfield, Mass., with two of my policies paid up.

Third—I followed your advice (or thought I did, at least), and bought a real estate mortgage, but never again. After waiting two years, in which I received nothing but promises to pay, I was compelled to go to the expense of foreclosure. Now I have to hold the property, which was allowed to go to rack and ruin. I still want to swear every time I hear real estate mortgages mentioned.

Fourth—I followed your advice and purchased on the partial payment plan from time to time, dealing only through houses whose advertisements appear in your columns and which have offices in Chicago.

My holdings at the present time are as follows:

$3,100	Northern Electric Co. 6s, 1935.
500	Swift & Co. 6s, 1944.
3,200	Southern Calif. Edison 6s, 1944.
3,000	Duquesne Lt. (Pittsburgh) 5s, 1949.
600	Great Western P. (Cal.) 6s, 1949.
1,500	New York Telephone Co. 6s, 1949.
400	N. Y. Telephone Co. 6s, 1941.
2,000	Northern States Pr. 6s, 1941.
100	French Republic External 8s, 1945.
1,100	Middle West Utilities 8s, 1935.
500	West Penn Power 7s, 1946.
100	Kansas City Pr. & Lt. 8s, 1940.
1,500	Northwestern Bell Tel. 7s, 1941.
1,200	Goodyear Tire & Rubber 8s, 1941.
3,000	United States of Brazil 8s, 1941.
500	Rio-de-Janiero 8s, 1946.
1,500	Georgia-Carolina Pr. 5s, 1952.
300	Manitoba Pr., Ltd., 7s, 1941.
100	Phila. Electric Co. 6s, 1941.
1,000	Columbus Ry. Pr. & Lt. 6s, 1941.

I have about three hundred ($300) a month to invest, and have been thinking of buying some preferred stocks on the partial payment plan. Do you think that wise? Or would you stick to bonds? Or would you advise my doing a little speculating? If you advise speculation, will you give me the name of some reliable brokerage house in Chicago which handles odd lots.

I have never spent any of my coupon money. Instead I have always reinvested it, adding a little to it each time.—J. M. S., Hinsdale, Illinois.

Here is an individual whose holdings at the present time prove him to be fundamentally a cautious and conservative investor. By a process of careful study and self-training, he has built up a list of security holdings which leaves little to be desired in point of safety. The list he owns outright; and he has made the very utmost out of it by re-investing the income it yields him.

Little wonder then that the Magazine, in answering his letter, did *not* advise that he jeopardize his success, even in the slightest degree, by leaving the proven safe field of investment and entering the field of speculation. Mr. S's results are too good to call for a change of method.

The Magazine did advise, however, that Mr. S. add a few good preferred stocks to his holdings, and thus improve his income return. The suggestion was made that he acquire, from time to time:

	Recent Price
Amer. Water Works & Elec. 7% pfd..	85
Amer. Can 7% pfd................	104
Worthington Pump 6% pfd ("B")...	73
Chicago, R. I. & Pac. 6% pfd.......	82

Reading over Mr. S's letter is an untrammeled delight to the Magazine, and every member of its staff. For the letter proves that the final urge, after reading the Magazine month after month, is toward conservatism in security dealings—the building of an adequate, dependable *income*, step by step, rather than the attempt to amass a fortune suddenly through speculative manoeverings. This is our chief aim, our final object. Working from inside the Magazine, it is more than a satisfaction to know that our recommendations are interpreted as we would have them interpreted, and that we are helping steer people over the right course.

There is but one uncertainty: Where, Mr. S., did we advise investments in real estate mortgages? Have you not confused our recommendations of real estate mortgage *bonds*, as issued by reliable and experienced companies, with real estate mortgages, plain and simple?

We fully realize that a well-placed mortgage—which means a mortgage on a high-grade, sturdy property, with interest obligations in the name of a resourceful and dependable individual—is one of the best investments there is. But we have not advised our readers to make such investments direct. We have not so advised them because of the long experience and talent the selection of A-1 mortgages calls for.

What we have advised, and very strongly, has been investments in real estate mortgage bonds—certificates representing a fractional ownership in a mortgage that has been passed upon by a nationally known concern and one whose resources are ample to guard against loss to the investor. There are a number of such companies—many of them tell their message regularly through our columns. Here the element of risk scarcely exists at all; for such houses do nothing else but loan on mortgage. They know the business from A to Z and have resources at all times more than sufficient to protect clients against any loss.

Make it real estate mortgage *bonds* after this, Mr. S.; take on a conservative amount of those preferred stocks; keep re-investing your principal and income.

You will definitely and certainly arrive.

BYFI Department Catches "Budget Fever"

Much Frenzied Figuring Results in a Budget for the $2,500 a Year Man

A NEW disease is sweeping over the United States.

Some people say it is a mental ailment, and call it "Economysteria."

Others believe it to be a physical ailment and call it "Budget Fever."

Whatever it is, the BYFI Department seems to have caught it. Or, at least, it has been showing all the symptoms. For weeks, now, the Department has been spending all its spare time jotting down little black figures on pieces of white paper, asking every one that comes along how much he spends each week or each month for this and that, making up "economy menus," ferreting out the latest retail clothing prices, etc., etc.

The results of the frenzy so far are a number of "Schedules" marked "Twenty-Five Hundred a Year, Thirty-Five Hundred a Year," and so on. Each one purports to itemize the proper living expenses of an individual in a given salary class, the effort being to see how well he can live on his particular salary and still have something left over when the month ends.

For the entertainment of those interested, the $2,500-a-Year schedule budgets up as shown:

The budget below, although it looks simple enough, has not been hurriedly assembled. It represents the conclusions drawn from several pages of detailed itemizing. Thus, a menu for an entire week was even drawn up, to prove whether or not the $2,500-man's wife (we forgot to say he was married) could serve two good meals a day to cost not more than $10 a week.

Nor have several items which do not appear in the budget been forgotten. Telephone, life insurance, taxes and vacation charges have been purposefully omitted because they are variable charges.

What do you think of it? How does it compare with your own budget?

TWENTY-FIVE-HUNDRED-A-YEAR BUDGET

INCOME

Monthly	$208

EXPENSE ALLOWANCES

For	Monthly
Rent	$40.00-$65.00
Light and fuel	6.00
Food	40.00
Lunches	11.00
Clothing	20.70
Recreation	11.80
Medical	17.00
Books, etc	2.50
Charity	2.00
Incidentals	7.00
Total expense allowances	$158-183
Monthly surplus	$50-25

Solving Individual Insurance Problems

More About War Risk Insurance—The Harris Trust—Mutual Life Idea

By FLORENCE PROVOST CLARENDON

WHAT IS YOUR PROBLEM?

The Insurance Department of The Magazine of Wall Street has already answered inquiries from readers on insurance questions numbering into the hundreds.

Judging by letters received in acknowledgment of the Department's recommendations, men and women readers of The Magazine find this insurance service valuable and helpful.

The Inquiry Service is free to all who desire help in selecting the best policies. Letters addressed to the Insurance Editor are answered as quickly as ample facilities permit.

Funding the Difference

As a subscriber, I'm availing myself of the privilege extended in a recent issue of inquiring regarding my insurance.

On February 22 I converted my War Risk Insurance Policy for $5,000 from term to endowment, age 62 (age at conversion being 33 years). My premium is $26.82 per thousand per year, whereas ordinary life premium is $18.90 a thousand per year, and 20-Payment Life is $26.34 per thousand per year.

I am unmarried, with prospects of continuing in that state indefinitely; have no dependents, and will be thirty-four years of age August 14 next.

In a recent issue of your magazine you advocated a straight life policy in preference to an endowment policy, the insured to fund the difference himself. Do you consider this advisable in my case, and do you think that I could invest the difference in premium between straight life and 20-year endowment to a better advantage?—F. C. P., Birmingham, Alabama.*

You state that you are unmarried, that you contemplate continuing in that state "indefinitely" and have no dependents. In such circumstances, I would not advise your taking Ordinary Life or Limited Payment Life policies, which are essentially of a protective nature for beneficiaries. On the other hand, many bachelors in the 30's change their minds and acquire home responsibilities.

In converting your War Risk insurance to Endowment at age 62, you are gradually building up a thrift fund for your own old age, and the necessity for making premium payments at stated intervals acts as a gentle compulsion in helping you to live up to your program of saving. You, of course, realize that you are getting insurance at a very low rate through the War Risk Bureau. All overhead charges are paid by the Government, and you are entitled to share in any surplus which may be apportioned.

The difference in annual premium (for a $5,000 policy at your age) between the Endowment at age 62 and the Ordinary Life plan, in the War Risk Bureau, is only about $40 per year. It is difficult to find channels of conservative investment for such small sums annually at any rate higher than 4 1.2%. Accordingly, the best place to put this addition is in the War Risk Endowment Policy.

* This plan was advocated by Mr. Dowst. Mrs. Clarendon does not concur in it, on the ground that the average individual would have difficulty funding the difference satisfactorily and safely.

Combining Insurance and Savings

Enclosed herewith please find my check for $7.50 which is in payment of my subscription to your excellent magazine for the ensuing year. When I use the word "excellent," I do so advisedly. I find I can keep posted through the medium of THE MAGAZINE OF WALL STREET, *and I know it is the right sort.*

Will you be kind enough to give me your opinion of the combination of life insurance and savings bank account offered by the Harris Trust & Savings Bank of Chicago and the Mutual Life Insurance Co. of New York? I understand I could take out a policy of $1,000 at a cost of $9.10 per month, and the savings bank interest at 3% together with the insurance dividends would amount to about 7%. Is this a good proposition?—O. C. H., Chicago, Ill.

Your complimentary letter addressed to the Editor of The Magazine has been referred to me for answer.

The plan of combining life insurance with a savings bank account is chiefly advantageous in the facility it provides for building up, by *small* monthly payments, the necessary payments for life insurance protection, while at the same time accumulating a savings fund.

The plan has been adopted by one or two insurance companies in conjunction with banking institutions, and the conditions are not always the same, being varied in form and based sometimes upon one class of life insurance policy, sometimes on another.

However, as both the Mutual Life Insurance Co. of New York and the Harris Trust & Savings Bank of Chicago are well known and reputable institutions, I think you can feel assured of satisfaction in the proposition outlined.

I do not exactly understand from your letter the particular form of contract which you contemplate, but you will doubtless obtain sound protection and fair and equitable treatment along the lines offered by the above-mentioned institutions.

War Risk Insurance

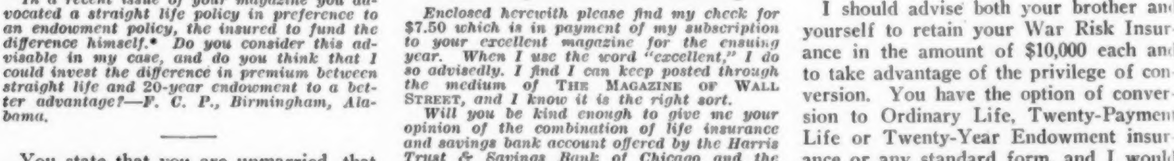
My brother and I each have War Risk Insurance in the amount of $10,000. We wish to know about the conversion terms. I understand you have some readable literature on the subject. If you have, will you kindly send it to me?

If you have nothing prepared, will you give me your advice to a young man in ordinary circumstances, one who has been able to keep up his payments without difficulty, but who will likely find the principal a mighty handy sum when it is due?—E. T. W., Bradner, Ohio.

I should advise both your brother and yourself to retain your War Risk Insurance in the amount of $10,000 each and to take advantage of the privilege of conversion. You have the option of conversion to Ordinary Life, Twenty-Payment Life or Twenty-Year Endowment insurance or any standard form, and I would suggest your selecting the Ordinary Life plan. You are, of course, getting very cheap insurance from the Bureau of War Risk Insurance and it is advisable to continue it.

You state in your letter that you would

MARKET MOVEMENTS



A Rise in Rice!

Heath Robinson in "The Bystander," London.

"likely find the principal a mighty handy sum when it is due," but I would call your attention to the fact that in event of your conversion to the Ordinary Life form the face amount of the $10,000 policy *would be payable to your beneficiary* in the event of your death, unless you became totally and permanently disabled prior to that time. If you desire the face amount of the policy, in lump sum or in instalments, to be payable to yourself *in any case* it would be necessary to convert to the Endowment form under which higher premiums are payable.

The conversion to Ordinary Life insurance is practically the best offer, in our judgment, of the War Risk Bureau, because it provides protection at the lowest rates of the three forms offered, and includes a Disability Benefit which is operative throughout the entire life of the contract into old age. In the usual policy forms of life insurance companies, the Disability Benefits do not extend beyond age sixty, because physical incapacity to earn a gainful living is so apt to ensue after that age. In continuing this Benefit throughout the entire premium-paying period of the Ordinary Life Policy, the insured under a policy with the War Risk Bureau is not required to continue premium payments any longer than his physical condition will permit him to gain a livelihood. If he carries an Ordinary Life policy until he is sixty-five or seventy years of age and then becomes permanently and totally disabled, he will have had the advantage of low premium rates during his productive years, and entire cessation from payments thereafter.

Why I Would Not Buy a Home

How Circumstances Permit Me to Rent Much More Cheaply

By "FRANK U . . . . ."

I BELIEVE it has become an axiom, popularly accepted, that everybody wants to have a home of his own and that, given the necessary resources, he will immediately turn around and construct his ideal haven of peace and rest and be happy forever and a day. And again—to a majority of people "rent paying" has an ominous sound. It smacks of dissatisfaction, helplessness, oppression, ill-gotten gains.

No doubt, these assumptions are correct to a limited extent, but they cannot be considered to apply generally. In fact, it very often happens that people, who could well afford to build homes of their own, don't do it. Is this explainable? Let's see.

Not Always Economical

A home of one's own, contrary to the general belief, is not always more economical than a rented place of residence. It often happens that renting is very much cheaper and much more satisfactory.

Consider the case of a salaried worker, who is employed by a company which furnishes houses to its employees at nominal rates. In our own case, the company demands a monthly rental of $7.00 for an attractive six-room house, also containing a bathroom. Taxes and insurance are carried by the company. We pay a flat sum of $84 a year and not a cent more.

Now consider the cost of a home of one's own in this same locality. Given an initial outlay of $3,500 for the construction of the home, the annual theoretical rental cost would amount to:

for interest on $3,500 at 6%..$210.00
for taxes (3%)............ 105.00
fire insurance (from 1% up). 35.00+

Hence the minimum theoretical rental cost would be $350.00. However, there are locations in our small city where the insurance rate is much more than 1%, sometimes as high as 10%. It is easy to figure out just how much more we would have to spend where the insurance rate is much over 1%.

There is quite a respectable difference between $350 and $84, the former the rent we would have to pay to ourselves, the latter the figure we are handing over to a paternal company.

The Question

In our opinion the question is simply this: can we afford to live in a home of our own? $250 a year or more saved means a great deal in a young man's life. If, furthermore, it is remembered that salaried workers generally do not stay indefinitely in one place (like people in business for themselves), we must conclude that it would not be wise in a case like ours to build a home. The price we should have to pay for "that grand and glorious feeling" of owning our own nook, is prohibitive, because we are young and because every dollar counts.

When we get ready to leave, we are simply going to turn the house over to the company. No fuss or trouble of any kind. We shall not have to see real estate agents and prospective purchasers; it will not be necessary that we sell our place; we will not have to shoulder a loss, by getting a price below the intrinsic value of the property. Nor will we have the bother of following up future payments and collections. That is why I do not believe in home owning.

In such a case as this, it is patent that rent-paying is far preferable to home owning. All things being equal, the cost of maintaining a home that is being bought seldom falls below the cost of renting a similar home; and here, with some important inequalities entering into the case, it is apparent that home-buying would be far more expensive than rent-paying.

But this is a particular case, and, in many respects, a very unusual case. Therefore, it cannot be held up as an argument against home-owning *as a general proposition*. "Frank U . . . . .," it may be said here, resides in Richwood, West Virginia; and besides the comparatively low costs which might be expected to exist there, he is the beneficiary of a rental scale which, in the light of average rental charges elsewhere, can only be described as philanthropic. To the harassed New Yorker, or Jerseyite, for instance, who pays anywhere from $60 to $100 a month for three tiny rooms in an apartment house, any such rental as $7 a month *for a six-room house* is absolutely inconceivable. It is a dream that could materialize only in some far remote Nirvana. It is like an echo from the distant past, when the property-owner—the man who is now exacting near to extortionate rentals—was the underdog, and the rent-payer was up on top.

Let "Frank U . . . . ." and the other fortunate souls, whose living-quarters, to all intents and purposes, are practically *given* them, consider Home Owning vs. Rent Paying as a general proposition, not as a particularized case. Let them, for instance, try to outdo, on a rental basis, the achievement of "W. S. K.," as described in our issue of February 18th past, wherein an attractive eight-room house, with green grass around it, was purchased and is being financed at an outside cost of $75 per month, *including everything*. We dare say it can't be done.

No—The Home Builders Department of THE MAGAZINE OF WALL STREET stands on its original premise, i.e., that only in rarest cases will a home that is owned cost more to maintain than the same home rented; and that the freedom of action which the home owner enjoys—the option of saving a little here and cutting down a little there—frequently makes possible a substantial lowering of home costs when, as an owner, one is not obliged to pay one fixed sum, month in and month out, as is the case of the rent payer. Asked to define our position in the fewest possible words, we would say:

If you are well situated financially and have a position whose permanency is assured; if you can keep your impulses in check, and do not ask for more in the way of the home you buy than the one you would rent; if you are not the beneficiary of special conditions making comparison between home-owning and home-renting unjust; and, above all, if owning your own home means as much to you, is as desirable to you as to the average American citizen, it would cost you no more, and might be made to cost you considerably less, to own than to rent.

Notice the "ifs." And particularly note the word "might" in the last clause above. They emphasize the fact that, in this argument as in most others, cases vary with individuals.

(*Note: Home Builders who care to see a detailed analysis of the comparative costs of Home Building and Rent Paying, respectively, are referred to pages 774 of the issue of April 1st, 1922.*)

Of Interest to New Investors

New Reference Book on Finance and Investing to Appear in Serial Form

TWENTY years ago, the number of persons interested in the world of finance—whether actively or passively—was infinitesimally small. The machinery of Wall Street was a closed book to the layman—something far beyond his ability to comprehend unaided—and it was next to impossible to find books, or even personal advisers, who would explain the mysteries of stocks and bonds, debt fundings and new security issues, incorporations and reorganizations and all the other paraphernalia of the Street.

But time and change have brought about a radical change in this situation. The growth of our great corporations, their present-day capital requirements calling for the financial support of every potential investor; the war, with its Government and inter-Government financing, which compelled ferreting out every individual with no matter how small a surplus laid by and bringing his buying-power into the market for Government bonds; the spreading of information on the subject of current security movements through the medium of newspapers, magazines and financial services—these and a host of other equally forceful factors, steadily increasing in scope and number, have gradually brought the individual into closer touch with the security world, led him to take an active part in it, and above all inspired him to learn more about it.

Today, as a result, it is doubtful whether more than a very small percentage of our active business men and women and a comparatively small percentage, even, of our so-called "leisure" classes, are ignorant of the general purposes of finance, the opportunities as well as the pitfalls it presents. The "layman" today is a layman only in figure, and no longer in fact; instead he is fast becoming a professional student of security market activities, quick to detect opportunities when they arise, better able to recognize danger signals, increasingly well equipped to take care of himself and handle his surplus funds wisely and with profit.

New Demand Springing Up

With all the progress that has been made, there still remains a great, unsupplied call for elementary definitions of Wall Street terms, understandable descriptions of Wall Street methods. The call comes from the millions of individuals in this country and abroad who have joined the Investment Army in comparatively recent years, and who are still eager to learn more about it; but particularly from the newcomers—young men and young women who have left their schooldays behind them and are starting out in pursuit of financial independence.

Strange as it may seem, these young men and young women are not instructed in preparatory school or university (unless they take special courses for the purpose) in the theory of investment and the inner workings of the investment machinery. Although no one other factor would mean more to their happiness and comfort in later life than a well-grounded knowledge of how to handle surplus funds, the subject is totally ignored—ignored as completely as though it were of only passing importance instead of universally necessary. Educators will agree, no doubt, that aside from a high moral character and a well-trained and well-ordered mind, a well-informed *self-reliance* is the *sine qua non* of a full, well-rounded education; yet with one's self-reliance nowhere so thoroughly tested as in the proper and profitable investment of idle funds, the investment process is treated as a thing apart from education, a specialized field which few people drift into, something you can "struggle along" well enough without knowing anything about.

A New Series

To provide the small investors of today, and the potentially big investors of tomorrow, with practically useful and understandable information about the Theory and Practice of Investing Surplus Funds—to fill the deficit which now exists—THE MAGAZINE OF WALL STREET will undertake in its next issue a new series of articles.

The series has been written to conform with the following general outline:

(1) Introduction to Economics

What "Economics" Means—How the Economic System Tends Toward Standardization—Sidelights on the Division and Exploitation of Natural Wealth—Money, Its Uses and Abuses.

(2) In the World of Finance

How Industry is Capitalized—The Corporation's Working Partners—Executive, Laborer and Stockholder—Interesting Elements in Corporate Bookkeeping and Company Reports—How to Analyze Individual Securities.

(3) The Science of Investing for Profit

Standard Investment Methods, What They Are and How They Function—The Difference Between Investing and Speculating—Investment Opportunities for the Man of Limited Means—Investment Cycles.

(4) Methods of the Active Trader

Elements in Successful Speculation—How Other Men Succeeded—What "Short-selling" Means—The Science of Switching—When and How to use "Puts" and "Calls."

In the preparation of a work of this scope, time and care are essential factors. Neither will be spared. The foregoing outline does not by any means cover all the minor but important subjects which the completed series will include, for the purpose will be to cover every important phase of security investing and cover it thoroughly and understandably, so that the finished product will be a really complete reference book of finance.

While the completed work will conform more or less exactly with the outline given above, its contents will be kept elastic, at least while publication is going forward in serial form. Hence, the invitation may be extended to readers to suggest special topics for discussion, and thus assure covering every phase of finance of interest and value to the practical investor. All readers of THE MAGAZINE who have encountered investment problems of whatever sort are hereby invited to make their wants known, in the assurance that careful attention will be given to every request, and no effort spared to supply information of the fullest and most inclusive sort. If present plans are adhered to a special feature of the book will be a "Questions and Answers" department, devoted to typical requests for information of the sort readers send in, and of course this will be large or small according to the number of requests received. No matter how much or how little you have to invest, then, or what difficulties you have encountered, it should prove helpful to take things up with the Building Your Future Income Department and get the solution—if there is a solution—in the "Questions and Answers" box.

WHAT DO YOU WANT TO KNOW?

On this page a description is given of an important new reference work on practical investing now in preparation by THE MAGAZINE OF WALL STREET.

The chief purpose of the work will be to extend practical and useable aid to investors who seek to build up their incomes in the safest, most efficient fashion.

Serial publication of the work in this Department of the Magazine will permit calling for suggestions and criticisms from our readers as the book proceeds. Additions will then be made, so that the scope of the completed volume will fully measure the requirements of our readers.

Whatever your investment problem is, let the Building Your Future Income Department hear about it.

Points for Income Builders

Definitions of Much-Used Financial Terms

CALL money—or "demand loans"—represents funds borrowed by bankers or brokers depositing securities as collateral. The money is loaned on a basis which gives the borrower the right to pay off the loan any time, and gives the lender the right to demand payment at any time.

Call money is borrowed and loaned to meet the immediate current requirements of the financial system. It is not limited as to interest. Hence, it is generally considered a most accurate gauge of the credit situation as it exists at any one time, "easy" call money (or low call money rates) reflecting an abundance of free capital available for financial purposes, and "tight" call money reflecting the opposite condition.

The fact that money is borrowed and loaned "on call" almost exclusively in stock market procedure makes call money rates of significance, particularly in security transactions. As such, the call money rates are published at numerous intervals during the stock market "day" and carefully followed by active participants in market dealings.

Time Money

As contrasting with call money (see above) time money represents funds loaned for a given period of time, generally for the accepted interest intervals of 30, 60 and 90 days. The transaction is also based on security collateral; i. e., the borrower deposits with the lender a group of bonds or stocks whose market value is more than enough to cover the loan. In the event of failure to pay off the loan at the specified time, the lender has the right to dispose of the collateral for what it will bring, returning to the borrower whatever sum remains after the proceeds have been applied to the loan.

Mixed Collateral

The collateral given in the case of time loans may vary in character. That is, it may be partly railroad stocks and partly industrial stocks. When this is the case, the loan is referred to as a "mixed collateral" loan.

As security for a loan, mixed collateral, at a given time, may be held to be a higher grade collateral than paper of one sort (all industrial, for example) only. In that event, the interest rate required will be correspondingly lower.

Equity

By "equity" is meant that portion of a property of known value which is free and clear of any indebtedness. Thus, in the case of mortgaged real estate, that share of the real estate's value over and above the amount of the mortgage represents the holder's equity. In figures: A $10,000 property is mortgaged for $6,000. The owner's equity then is $4,000.

Moratorium

With the German Republic's clamor for a "moratorium" being made so much of in the daily press, it may be helpful to know that the word means: The suspension of payment obligations during a fixed period of time, legalized by the authorities, and having as its purpose the providing of a breathing space for an over-extended business organism, in which calmer judgment and, above all, more time may be applied to solving financial difficulties.

Amortise

To "amortise" a debt is to virtually create a sinking fund for its ultimate discharge—to put by at various times sums that will gradually wipe out the amount owed.

Financial interests have come to adopt this system, particularly in the case of real estate mortgages and bank loans. Where in past years a loan on a parcel of real estate was usually made for a stated term of years, maturing in full only at the end of that stipulated period, the growing custom is to amortise the loan by requiring the borrower to reduce the amount every three, six, nine, or twelve months, usually at interest time. This gradually reduces whatever hazard may have existed in the loan and is beneficial to all parties concerned.

In the banks, where former loans were renewed when due, it is now almost a general rule that the size of the loan must be reduced before it is renewed. That is, in a sense, *amortising* the loan.

Actuary

Among the numerous special studies required in the financial system of the times, no one calls for greater skill and accuracy, probably, than that of the insurance "actuary."

The "actuary" is the mathematical authority who figures out the relation that should exist between premiums, dividends, insurance reserve, and so forth, in policies issued by a given insurance company, assuring the company of profitable operation and its clients of the best return on the amounts invested.

Involved in the work of the actuary is a thorough knowledge of the science of probabilities, if it may be so termed, as well as knowledge of the "trend" in mortality rates or in whatever other branch the insurance company specializes.

There is an increasing number of investors who believe, with Mr. Wyckoff, that the New York Stock Exchange should insure clients of member brokerage houses against loss in the event of failure. Were such a plan adopted, the services of "actuaries" would be required to determine what the average risk of failure would be, the average size, and, from there, the amount of insurance that would be necessary and the premium charges.

Executor

To have your wishes carried out *to the letter* after your death—your property distributed just as you wish it to be distributed—your will should name a certain party who is thereby authorized to act in your name, and is known as your "executor."

Experience has demonstrated that the average individual is not equipped to act efficiently in this capacity of executor; or that he may act dishonestly; or that he may not be sufficiently familiar with the requirements of the office to provide for all the contingencies that arise. For this reason, the tendency is more and more to name as executor a class of banking organization which specializes in the field, whose fees are limited by law, whose facilities are practically unlimited and which may be relied upon to operate to the best interests of all concerned. The reference is to the Trust Company.

Are YOU Doing This?

THE Inquiry Department of THE MAGAZINE OF WALL STREET answers many thousands of inquiries each month. Every inquiry is answered under the direct supervision of the chief of the Department.

The Chief says that most of the older readers of THE MAGAZINE have learned to get away from commonplace errors of judgment, but that there are still quite a few errors which are being made by many of the members of our investment family. Of these, two of the most common are outlined below:

Lack of Diversification: The almost suicidal policy of putting every available cent into a single security is still practised too frequently. Investors are not yet agreed on the wisdom of diversification.

"Diversification" means buying, with a given sum of money, as many different securities as possible, without going to extremes. The purpose is to *spread* the risk, so that, if one investment falls down, there will be others to bolster up the account.

Recklessness: The warning "Securities classed by us as speculative are not recommended to small investors" needs to be emphasized. Persons with only small surplus means are still buying intensely speculative securities when they very apparently should not do so. Speculation, essential as it is to the maintenance of free and accurate markets, is a field for the wealthy; it is emphatically *not* a field for those who cannot afford to lose.

Public Utilities

Western Union Telegraph Co.

Should Have Record Year in 1922

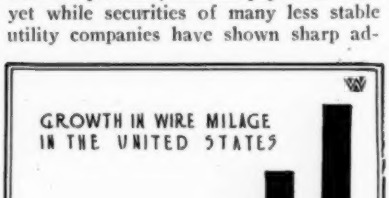
Official Estimates of Earnings for First Half Indicate Marked Improvement—Better Business Conditions Helping

By JAMES N. PAUL

RECENT official estimate of earnings of Western Union Telegraph Co. indicates that 1922 should be at least one of the best years, if not the best, in its history. Despite a poor first quarter, improving business conditions were reflected in marked increase in second quarter earnings, so that for the half year $5.69 a share was earned on the capital stock against $9.65 for the full 1922 year.

With rates practically standardized, the course of Western Union's earnings sharply follow the course of general business conditions, as practically all its traffic is strictly commercial. Hence the quick improvement in earnings shown in the second quarter of this year which reflects improving general conditions in this country. The best commentary to be made on the company is that in 1920, one of the poorest business years this country has witnessed for some time, it was nevertheless able to earn close to $10 a share on the stock, a good margin above dividend requirements.

Students of business cycles profess to see good business conditions in this country at least until well into 1923. If this is so, it should insure two good years for Western Union with possibilities of an extra dividend or an advance in the rate over the present $7 annual payment. And yet while securities of many less stable utility companies have shown sharp advance, this stock has fluctuated but slightly and can still be obtained at a price to yield an annual return of close to 7%.



Remarkable Growth

A brief review of what the company has done in the last half century is interesting in connection with the fairly high yield on the stock. Western Union was incorporated in 1851 and it is one of our oldest public utility companies. Dividends have been paid without interruption since 1881 when the rate was 5% annually. Its growth has been moderate but steady, as in 1897 net earnings from operations amounted to six million dollars. They now run between twelve and fourteen million dollars. On its present capitalization, two and a half million dollars is required for interest on bonds while dividends require seven millions. This leaves a comfortable margin to be carried to surplus each year, a good part of which goes into betterments and improvements.

Western Union does what is called a seasonal business—the first three months of the year are always the worst while the final three months usually show earnings double those of the first quarter. This is best illustrated by figures showing division of earnings shown in 1921 by quarters and will serve to give an estimate of what 1922 earnings will be in the light of the first half year's earnings. Figures shown are amounts earned a share on the capital stock.

March Quar.	June	Sept.	Dec.
1.8%	2.2%	2.3%	3.4%

Thus it will be seen that in the last half of 1921, an increase of almost 50% was shown. On the basis of 5.69% a share estimated as earned on the capital stock in the first quarter of this year, company would come close to earning 14% this year if the same ratio of increase applies this year as did in 1921. In recent years, the best showing was made in 1917 when earnings were $14 a share on the stock.

An outstanding feature of consideration of Western Union's affairs is the high standard of maintenance and depreciation which has been maintained for years.

Current Earnings

Aside from the upturn in general business conditions, numerous economies of operation and lower operating costs are now playing an important part in making for better earnings.

Wireless Competition

The thought that competition of the wireless companies would put the telegraph companies out of business is not borne out by a survey of the situation nor by statements from officials of Western Union who were only recently approached as to this probability. Wireless offering no means for secrecy certainly does not appear to be a competitor in the near future for domestic business. A large part of Western Union's business is derived from foreign cable business, and it is here that discussion of wireless competition is timely.

WESTERN UNION

EARNINGS—FIRST SIX MONTHS, 1922, COMPARED WITH 1921

	1922 Six Months	1921 Six Months
Gross	$50,517,562	$52,522,066
Repairs and depr.	8,276,727	8,853,393
Expenses	35,404,542	38,684,027
Net for divs.	5,682,868	4,318,721
Per share	5.69%	4.32%

An official of the company a short while ago was asked if wireless threatened the future of the cable business. He pointed out that the Radio Corporation of America was doing between 12 and 14% of the present transmission of messages between America and England and Europe. While a certain amount of this was taken away from cable companies, a good part was newly created business in view of cheaper rates offered. For instance, the radio rate is eighteen cents to London while the cable toll is thirty cents.

In any event, with its interlocking interests, it will doubtless be found in the future that Western Union officials will have anticipated any events and that if wireless is to make inroads on cable business, some way will be found to have the company participate in the new business.

Recent events certainly do not indicate that the company is in any way skeptical of the value of cable service. Arrangements were completed only a short while

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Adams Express Co.

Dividend Resumption Looked For

Expected That Stock Will Go Back on Either $5 or $6 Annual Basis Before Year Is Out—General Conditions Much Better

By O. P. DOBIE

WITH general conditions rapidly improving, it is probable that the next Fall or Winter may see Adams Express Co. stock once again on a dividend basis. The belief that the near future may see stockholders once again in receipt of dividends after having been without any return since the latter part of 1917 seems well founded. Last payment on the shares was December, 1917, when a $1 quarterly payment was made and none has been forthcoming since.

When dividends are resumed it is probable that stock will go on either a $5 or $6 annual basis, and the higher rate does not seem out of line in view of stability of earnings and actual figures shown in the 1921 annual report.

ADAMS EXPRESS
1921 INCOME ACCOUNT

Interest on balance	$2,650
Interest on securities	169,157
Dividends on securities	709,477
Income from collateral securing bonds out	689,424
	$1,590,708
Net for stock after bond int.	$803,097
Amount per share on stock	$8.05

Aside from the fact that the company has been setting its house in order recovering from the effects of government control and general reorganization of the express business, the fact that unsettled claims whose exact status were in doubt are now rapidly being cleared away makes the probability of dividend resumption more likely.

The 1921 annual report showed reserves approximating one million three hundred thousand dollars were carried to take care of claims which might accrue, the chief of which was for six hundred thousand dollars owing to the Director General of Railroads for purchase of Southern Express Co. This claim has been practically cleaned up and substantial progress has been made in reducing claims for damages so that the first of next year may see the company with the greater of its claims wiped out and with nothing to worry about but payment of the annual bond interest.

A Holding Company

Consideration of affairs of the company shows that prior to taking over of the railroads by the Government, which also included the express companies, Adams was one of the old-line conservative companies which steadily paid dividends. Taking over of its business by the Government, later followed by a reorganization of the express business, has served to keep the company in a state of betwixt and between up until this year.

As the matter now stands, Adams has lapsed into the status of a holding company which does no express business but which derives its earnings from holdings of securities, the chief of which are those of the American Railway Express Co. It will be recalled that this company took over the assets of the three largest companies, and Wells Fargo, American Express and Adams Express each own approximately one-third of the outstanding stock in the company. Adams owns $11,904,000 par value of American Railway Express Co. stock.

It derives each year in dividends from its stock holdings in the operating company, approximately seven hundred thousand dollars which is equal to 7% upon the 100,000 shares of its capital stock outstanding. The accompanying income account for 1921 will serve to show the various sources of its income.

Interest on its funded debt requires about six hundred and fifty thousand dollars annually.

When Adams cleans up the last of its old claims its income and disbursements will be practically stationary, as running expenses amount to about seventy-five thousand dollars annually exclusive of bond interest.

Enters New Field

Adams Express Co. in 1920 disposed of all its interest in the imposing building which bears its name standing on lower Broadway. Early in 1922 it was decided to enter into operations in a small way, but success in this line may lead the company to extend its activities throughout the country. Prevalence of robberies on a large scale led the company to inaugurate a service for transporting securities, cash or bullion throughout the city of New York. For this service a nominal charge is made and company will contract to deliver valuables throughout the city in large amounts. A small fleet of armored trucks has already been put in service and may be extended.

The company makes but one report a year and is extremely reticent concerning estimates of earnings. However, with its income more or less stable, it is possible to estimate current earnings with a degree of accuracy. With many of its claims and loans paid off this year, the company should at least be able to better 1921 by a slight margin, and estimates of earnings for first half of 1922 approximate $5 a share or at an annual rate of $10.

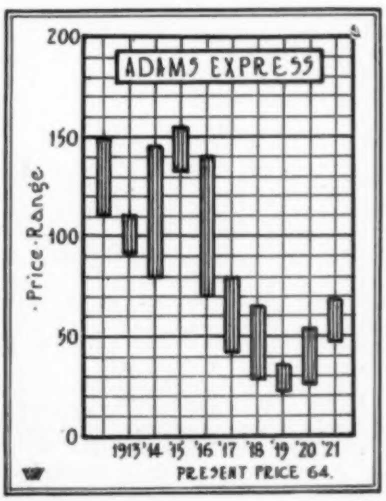
It is difficult to see how the management can much longer ignore the claims of stockholders for dividends. As its income is now practically stabilized, a $6 annual payment even with earnings of the $8 a share shown in the 1921 report does not seem excessive.

Only a general collapse of the express business would curtail the principal source of its income, and this idea seems extremely far-fetched inasmuch as practically the greater part of this country's business is in the hands of the one company in which Adams owns a one-third interest. Centralization of express business with one company has the added attraction of reducing over-head and avoiding expensive competition.

New Express Contracts

Present contracts which the operating company has with the railroads expires early in 1923 and the subject of a uniform agreement in the future and renewals seems only a routine matter. Express officials have stated frequently that they are not worried over the outcome of present negotiations for a renewal. While some railroads may balk and constitute a small minority, it is believed that those who want separate contracts will be only a slight portion of this country's carriers. In the latter part of June it was stated that the large majority of roads which had already agreed to sign up on a new contract commencing March, 1923, were sufficient to warrant the statement that

(*Continued on page* 555)



Petroleum

Looking Into the California Oils

How the Four Largest Factors Shape Up Under Present Conditions—The Outlook from a Trade and Investment Point of View

By PERRY A. EMERSON

SINCE August, 1921, the price of California crude oil has been unchanged. Nevertheless, the California oil situation has changed, and rather materially in some respects. There are far-sighted observers who believe that the developments which have occurred will show their effects before very much longer.

There seem to be three outstanding features in the California field. They are more or less complementary.

One is the rapid "proving up" of newer locations, where oil is being located in quantities which meet highest expectations.

The second is the closing-in of wells in older locations, to protect the statistical situation.

The third is the expansion of storage capacity, for the same purpose.

Development Work

Development work has, to a great extent, centered on the Southern California fields, notably, Huntington Beach, Signal Hill and Santa Fe Springs. Thus, the State Mining Bureau reports 335 well-permits for Southern California in the first four months of 1922 as against only 200 for the fields to the north.

Production from the new fields increased the state's *daily* production in May to 357,376 barrels—16,000 barrels more than in the previous month. A further increase of about 3,000 barrels daily was noted in June, and, unless signs fail, the end is not yet. In June a year ago, California was producing at the rate of only 337,000 barrels daily, a figure which presents a rather striking contrast to the present rate of over 360,000.

Closing Up Wells

Exactly how many wells have been shut in, and what potential production thereby kept from the market, cannot be easily determined. But reports from the field all agree that stemming production is going forward on a large scale, where it can be accomplished without opposing drilling contracts, and except in the case of smaller companies anxious to take advantage of present market prices.

Probably a figure somewhere between 100,000 and 150,000 barrels would not be far from the potential daily production now being kept below ground.

Actual instances of wells shut in, based on one report, show over 100 capped down by the Union of California in its Santa Maria district holdings; about 30 wells in Kern county by Standard Oil; 170 wells in Coalinga and Midway by Pacific Oil; 150 wells (scattered) by General Petroleum, and so on.

Increased Storage Capacity

To accommodate the surplus production which is now pouring from the earth, enlargement of storage facilities is being pushed with all speed. One estimate gives the field storage of the state as much as 78-million barrels; and as this estimate was based on conditions existing some time ago, it would have to be raised, probably, to reflect present conditions. The trend is evidenced by a new three-million barrel concrete reservoir just completed by the Standard Oil Co. of California.

General Conclusion

Reviewing the three outstanding features of the California situation, as outlined above, one would group as among the most hopeful signs from the standpoint of price the following:

The quality of California crude—heavy—makes it possible to shut-in newly located production without ultimate loss.

There is a large available storage yet unfilled, and new storage is being rapidly constructed.

An improved export demand, and the reopening of the Arizona mining industry are tending to increase consumption; while gasoline sales are at a record rate already, and constantly increasing.

Opposed to these constructive signs, there are:

The approaching end of the "gasoline season."

The great quantities of crude now in storage.

The largely increased production, both actual and potential.

Combining the factors for and against the oil market in California, judgment tends to the belief that, while the situation is in strong and resourceful hands, nevertheless it is statistically weak. Indeed, as reflecting this weakness, prices have already been cut 25 cents a barrel.

How are the individual companies fixed? What profits are they making? What is their outlook from an investors' point of view? Let's cover these points as briefly and pointedly as possible by means of individual analyses:

PACIFIC OIL COMPANY

Backed up by the Southern Pacific Railroad, and closely affiliated through stock ownership with the Standard Oil Co. of California (which dominates the California field, almost entirely controls crude oil prices and sets the market price for finished products), Pacific Oil, owner of some of the richest tracts in the state, may be said to be in a very strong position from a property point of view. Financially, it is equally strong, as an investigation will show.

The company owns a one-third interest in the Associated Oil Company's pipeline system, and a majority of the stock in that company. It holds nearly 300,000 acres of land, of which 30,000 are proven oil-bearing.

Pacific Oil's production is constantly increasing. Thus:

PRODUCTION
(000 omitted)

1920	11,170
1921	12,275
1922	*15,000

* Estimated.

For that part of its production which cannot be sent directly to market, Pacific Oil has ample storage facilities, amounting to over 4 million barrels in the various fields at this time.

What is a problem for many other companies—getting rid of fuel oil—is an opportunity for Pacific Oil. All the fuel Pacific Oil turns out from its heavy crude oil fields is taken up at market prices by the Southern Pacific system. At once, the company is practically assured a profit on its fuel production and can conserve its storage space for lighter crudes.

Earnings of Pacific Oil last year amounted to $4.64 on the outstanding stock. The first quarter in 1922 showed only 80c a share earned, or at the rate of about $3.20 per share for the year. Dividend requirements at the established rate of $3 a share per annum would thus be covered if earnings do not exceed the first-quarter rate. The sharp reduction in crude-oil prices, however, makes it improbable that earnings will exceed the dividend rate by a wide margin.

Pacific Oil, of course, is one of the large companies in the oil industry, is well known and has a satisfactory future. The price of the stock, however, around 57, seems high enough for a $3 dividend payer.

UNION OIL OF CALIFORNIA

At its present production rate of over 1 million barrels a month, Union Oil will

exceed its 1921 output by several million barrels. It occupies a position second only to that of Standard Oil as a producer and marketer of California crude. It controls about 25% of the California market; and the value of its properties can be estimated as close to $70,000,000, covering 650,000 acres owned in fee and over 100,000 leased lands.

Recently, Union Oil acquired a refinery in Riverton, Wyoming, to accommodate the 2,000 barrel production being obtained from nearby fields. It has extended its activities as a producer, refiner and marketer throughout other sections, notably in Montana and Canada. Its six refineries have a total capacity of close to 70,000 barrels a day.

How the company has fared in recent years is brought out by the following comparison:

(000 omitted)

	Profit	Net Profit
1918	$14,364	$6,023
1919	20,532	10,638
1920	25,477	12,038
1921	23,839	10,528
*1922	22,000	11,000

* Based on 1st quarter.

The capitalization of the company includes $50,000,00 stock and an issue of $20,000,000 1st lien 20-year sinking fund gold bonds, due 1931, of which $8,711,000 are outstanding.

Interest on the bonds is heavily covered by earnings, and they provide a safe investment.

The stock is dealt in on the Los Angeles and San Francisco exchanges, but not in New York. It is receiving dividends this year at the rate of 12%, including extras, which means an offered yield of 6.66% at the current price of around 180.

The company's excellent trade position, large resources and developing earning power make the shares fairly attractive, with due allowance for the trend in the general industry.

STANDARD OIL OF CALIFORNIA

The thirty-five different companies which, as direct offshoots of the original Standard Oil Co., are known as the former subsidiaries, offer the investor about all there is to be had in the way of progressive, resourceful, and strongly intrenched oil concerns. Of the group, Standard Oil of New Jersey, Standard Oil of Indiana, Atlantic Refining and Standard Oil of California stand out as the most prominent, with each one conspicuously successful in its field.

The California subsidiary, which is turning out over 100,000 barrels of oil daily at the present time, controls nearly one-third of the production of the entire state. It has a pipe line capacity of over 130,000 barrels a day. It has a refinery capacity of 115,500 barrels a day, of which 87% is produced and the remainder bought under contract. Its investment in plant and equipment now exceeds 200 million dollars. Through its subsidiary, the California Oil Co., it has acquired valuable producing acreage, including 40,000 acres in Montana and 2,500 acres in Wyoming.

California Standard Oil maintains at the highest state of efficiency the three largest refineries in the state, i. e.,

Bakersfield	20,000
El Segundo	35,000
Richmond	60,000

The company's ramifications extend far beyond the California oilfields. From its new acreage the company expects to furnish large quantities of crude for the Imperial Oil Co. of Canada. Furthermore, the company is developing and drilling test wells on one million acres of concessions in Colombia and Venezuela, and holds a controlling interest (51%) in the Mid-Colombia Oil & Development Co., a Benedum-Trees development. Finally, Standard Oil of California is a member of the "Vanderlip Syndicate," owning oil concessions in Siberia and Kamtschatka.

The earnings of the company at the present time are running well ahead of last year. Its financial position and resources reflect the best in Standard Oil. The stock may be recommended as an ideal investment medium to be bought outright and put away.

CALIFORNIA PETROLEUM CORPORATION

When crude oil from a given field is cut 50 cents a barrel and labor troubles develop which more or less tie up production for two months, earnings of operating companies affected might be expected to decline rather sharply. Hence the surprise at the 1921 showing of the California Petroleum Co., as compared with records of the two previous years:

(000 omitted)

	Gross Earnings	Balance for Dividends
1919	$2,259	$1,007
1920	2,823	1,128
1921	3,920	1,159

It is seen that, despite the adverse factors noted above and despite, in addition, the wholesale business slump last year, "Cal. Pete" managed to increase materially the balance available for dividends on its preferred stock. The improvement is more striking when it is realized that the preferred dividend requirements for the year were only $361,271.

The explanation of this phenomenon probably lies in the greatly increased production effected at the California Petroleum properties during the year, a net increase of 333,331 barrels, to be specific.

California Petroleum occupies the position of a large producer of crude oil which is not bulwarked by a refinery or marketing branch. It has excellent properties, and has expended large sums in new development work; its production at the present time is larger, by several thousand barrels a day, than it was last year. This situation will devolve to the company's benefit under satisfactory market conditions, and under a stable price for oil the company should be able to increase earnings. Furthermore, California has a contract extending through 1923 for a large part of its production, which is at a sufficiently high price to jack up its average receipts from sales and act as a buffer against price declines.

Nevertheless, experience has shown that an exclusively producing oil company cannot, conservatively, be expected to maintain stable earnings. **Hence, the company's common shares at 62, and paying no dividends, cannot be called anything more than a speculation, with the chances against much of an increase in price pending a stronger oil situation in the district served.**

General Conclusion

All of the California oils mentioned above are representative of the finest grade of oil concern. Under good trade conditions, their earnings should mount upward, and under less good conditions they all appear amply bulwarked. Nevertheless, the general oil situation does not indicate any great improvement in the near future, and there seems little doubt that over-production will eventually exert its effect. In this event, earnings of the California oils could scarcely be expected to hold up.

Not all oil derricks are on terra firma. Here are some that are right out in the water. Summerland Oil Fields

Inquiries on Oil Securities

Inquiries on Other Securities Will Be Found in Their Respective Departments

INDIAHOMA REFINING
Not Attractive

I have some funds available for speculation which I contemplate putting into some good, low-priced oil stock. Indiahoma Refining Co. stock, selling on the New York Stock Exchange around 4, has been suggested to me. What do you think of this company? Is there any other low-priced oil you would prefer?—G. A. W., Elizabeth, N. J.

Indiahoma Refining Co. is a producer, refiner and marketer of petroleum and its products, its business being principally in Oklahoma. Small refining companies such as this are at a decided disadvantage as the larger companies, because of their financial strength, can take advantage of low prices of crude oil to accumulate huge supplies thus making their margin of profit larger when higher prices come around. The balance sheet as of December 31, 1921, showed current liabilities to be in excess of current assets. The company brought out a bond issue this year which has strengthened its financial condition, but interest and sinking fund requirements on these bonds will probably prevent any resumption of dividends on the stock for some time. There is 1,000,000 shares of stock outstanding of a par value of $5. In 1921 company reported a deficit of over a million. This stock does not look attractive to us and we would suggest instead Skelly Oil selling on the New York Curb at about 9. This company is in strong financial condition, has a production of 9,000 barrels a day and profits are now running at the rate of over $2 a share.

OKLAHOMA PRODUCING & REFINING
Overcapitalized

I own 300 shares of Oklahoma Producing & Refining Co. stock, purchased at 4¾, which I have been carrying along for two years. I have not received any dividend since April, 1921, and from the way the stock acts it does not look as though dividends will be resumed very soon. Do you deem it advisable to continue to hold the stock or had I better switch it into something else?—F. S., Hot Springs, Va.

Oklahoma Producing & Refining Co. was organized at the height of an oil boom and started out with a rather top-heavy capitalization. There is $3,000,000 8% preferred stock, par $5 and $21,541,000 common stock, par $5. At present price of $3 the common stock has a market value of about thirteen million. This seems quite high when it is considered that the working capital of the company is only a little over one million. For the year ended December 31, 1921, there was an operating deficit of about a million and a half. Operations are on a more favorable basis this year but in view of the small working capital surplus funds for a long time to come should be put back into the property rather than paid out in dividends and we have no doubt that the management will pursue such a policy. Believe it would be a good idea to switch into Radio Corporation preferred stock selling at 3⅛. This stock is entitled to 7% dividends on its par value of $5 and in view of the prosperity this industry is enjoying there is an excellent chance of dividends being started in a year's time which should move the stock up to about 5. This would just about make up the loss you have in Oklahoma Producing & Refining.

COSDEN & CO.
Big Profits in Gasoline

I note that there has been important cuts in the price of crude, and would like to get your views as to how this will affect the earnings of Cosden & Co., as I have a few shares of that company's stock. Do you recommend selling it? I still have a profit but, of course, not as large a one as I had a few weeks ago.—New Albany, Ind.

Cosden & Co. is now turning out about twenty-three million gallons of gasoline monthly. In 1921, when crude oil was selling at a considerably lower price than at present, Cosden accumulated large supplies and as a result is making handsome profits on the present price of gasoline. By far the greater percentage of the company's profits is coming from the sale of gasoline and as consumption of gasoline this year is breaking all records and in fact threatens to bring about a shortage, high prices are bound to be maintained. While the cut in crude oil undoubtedly means lower earnings for companies whose business is more or less limited to the producing end the effect on a big gasoline manufacturer, such as Cosden, is of small importance. While it is impossible to estimate accurately what Cosden will earn this year the present dividend will certainly be earned several times over and as the company is in good financial condition an increase in the present rate of $2.50 would be warranted. We see no reason why you should sell the stock under these circumstances.

ISLAND OIL
Poor Outlook

A few months ago I asked your opinion of Island Oil & Transport stock. You gave an unfavorable report at that time, but as I had a large loss in the stock thought I would hold on a little longer. Would greatly appreciate any further information you may have on the company, and if you believe it advisable to sell out at present price of ⅞.—Salisbury, Md.

We cannot see anything very encouraging in the outlook for Island Oil stockholders. In March, 1922, the company went into the hands of a receiver and liabilities at that time were estimated at $5,000,000. Capitalization consists of $3,500,000 8% gold notes and 2,570,951 shares of stock of $10 par value. As against this the company has a large acreage in Mexico but most of its producing wells have gone to salt water and undoubtedly a large amount of development work will have to be done to put the company again on a good producing basis. If the company is reorganized and continues operations a large amount of new funds would have to be raised and stockholders would face a heavy assessment. The other contingency is that the company liquidate and go out of business. Should this occur the creditors and note holders would have to be taken care of first and it is highly improbable that anything would be left for stockholders. Of course the stock may rally somewhat from present price due to market conditions but we can see no reason for it to advance on the basis of value and deem it advisable for you to dispose of your shares and place the proceeds in some security that is in a more favorable position.

INVINCIBLE OIL
Showing Fair Profits

How do you regard the outlook for Invincible Oil? I am the holder of a few shares at 14. Is the company likely to pay dividends soon?—M. T., Brewster, N. Y.

Invincible Oil for the quarter ended March 31, 1922, reported earnings equal to about $1.50 a share on its stock but this was before deducting anything for depreciation or depletion. With the stock selling around 14 this is a fairly good showing. Of course, the recent cut in the price of crude oil will reduce earnings somewhat but for the full year 1922 a satisfactory showing can be expected. Although the 150,000 shares sold at $10 last year strengthened the company's financial position it is still none too strong in working capital and for that reason it may be some time before dividends are inaugurated. At present levels we believe the stock has a very good chance of appreciating in value but it might be just as well for you to switch into a dividend-paying stock like American La France Fire Engine selling around 13 a share and paying $1. This stock in our opinion has just as good a chance of appreciation in value and you would be getting an immediate return on your investment.

MEXICO OIL
Wins Suit

I purchased 200 shares of Mexico Oil some time ago at 1⅝ but failed to take my profits when the stock advanced to over 4. I understand the Mexican Petroleum Co. has brought suit claiming title to Mexico Oil holdings in San Miguel. Have you any information in regard to the outcome of this suit?—G. G. W., Harrisburg, Pa.

The Mexico City court recently decided in favor of Mexico Oil Co. the suit brought by the Huasteca Petroleum Co., a subsidiary of Mexican Petroleum Co., claiming title to the company's holdings in the San Miguel district. Now that this suit is out of the way Mexico Oil Co. plans to start an active drilling campaign on its property.

Mining

International Nickel Company

Is Nickel About to Stage A Come-back?

Gradual Improvement in Nickel Industry—Satisfactory Financial Position—Outlook for the Shares

By C. S. HARTLEIGH

THE nickel industry is an outstanding example of an industry that rose to abnormal prosperity during the war, and thereafter descended into the depths of utter depression. The reason for the extreme rise and fall of the nickel industry is due to the fact that during the war the metal was in great demand and this demand fell off with the ending of the war.

Nickel is used as an alloy in steel which absorbs about 77% of the total output. Of the remaining 23% of the production, about 11% is used for nickel silver, 2% in nickel plating, and the remaining 10% in coining and miscellaneous uses.

As the world's largest producer of copper-nickel ores and copper-nickel matter, International Nickel Company was in a position to secure the full benefit of the demand for the metal during the war period. However, its very leadership at that time served to increase its embarrassment during the post-war period. This was due not only to the falling off in demand after the armistice, and the natural reactionary influences of greatly increased inventory of unsold metal built up under government stimulation, but also to the fact that the company was virtually forced into a program of plant expansion that no doubt exceeded the company's normal program in this respect.

Before the United States entered the war, the British and Canadian Governments took the position that much of the nickel produced by the company, and refined at Bayonne, New Jersey, was finding its way into the hands of the enemy through the then active trade channels. Whether this was true or not, pressure was brought to bear on the company to do its refining in Canada, and this was no doubt an important influence leading to the building of the large refinery at Port Colborne, Ontario.

Furthermore, although the company's normal scheme of expansion no doubt contemplated the power development at High Falls, 30 miles from Copper Cliff, it is probable that these plans were pushed during a period of high construction costs and under all of the increased expense incident to carrying on such work under pressure.

FINANCIAL RECORD OF INTERNATIONAL NICKEL COMPANY

Year Mar. 31	Net Income	E'ings on Stk. *6% Pfd.	E'ings on Stk. †Com.,%	Divs. Paid 6% Pfd.	Divs. Paid Com.	Surplus Year	Surplus Total
1912..........	$3,262,218	36.60	23.54	6.00	2.00	$584,057	$3,568,172
1913..........	5,009,120	56.20	16.66	6.00	10.50	983,316	4,551,488
1914..........	4,792,665	53.77	11.20	6.00	10.00	454,759	5,006,247
1915..........	5,598,072	62.81	18.32	6.00	17.50	309,378	5,315,625
1916..........	11,748,279	131.81	27.34	6.00	6.25	1,781,720	3,294,195
1917..........	13,557,970	152.12	31.13	6.00	5.75	2,982,910	6,277,105
1918..........	10,129,988	113.66	23.18	6.00	4.00	2,065,004	7,923,703
1919..........	5,922,630	66.45	12.88	6.00	0.50	1,204,414	8,180,255
1920..........	2,029,700	30.81	5.29	6.00	....	2,210,978	10,391,233
1922..........	‡1,335,581	22.77	3.57	6.00	....	1,494,944	11,886,177
1921..........	2,029,700	.....	.....	6.00	....	§1,870,337	10,015,840

* 89,126 shares, par $100, div. non-cumulative. † 1,673,384 shares, par $25. ‡ Net loss. § Deficit.

Remarkable War Record

The general result of the war was, therefore, to assist in the rapid development of this company, and then leave it with a remarkable record for increased production, increased income, and large earnings for distribution as dividends up to the end of 1919, but thereafter with large inventories of unsold metal, and almost total absence of a market therefor.

Nevertheless, International Nickel stands today as the undisputed leader in the nickel industry, with the greatest nickel properties in the world, operating costs that make competition practically negligible, a gradually recovering market for its nickel, copper and monel metal, and a gradually increasing use and demand for its nickel and nickel alloys in many branches of industry and trade.

In addition to the important uses of nickel, which amount for a large percentage of the production, for example: nickel steel for armor plate, automobile parts, bridges, locomotive tires, axles and piston rods, railroad rails, frogs and switches, and ordnance; there are innumerable uses involving small quantities which amount to a considerable tonnage in the aggregate, for example: nickel silver in jewelry, tableware and novelties, cupero-nickel used in coinage, and bullet jackets, metal used in nickel plating, nickel used in chemical and electrical apparatus of all kinds, and to some extent in cooking utensils.

Monel metal which is mined by the company as a natural alloy, containing about 67% nickel, 28% copper, and the remaining 5% consisting of iron, manganese and other elements, finds many uses in industry, and these uses have been multiplied by means of an advertising and selling campaign calculated to demonstrate its superiority over many other alloys. The metal has given good service under conditions involving high temperature, exposure to salt water, corrosive acid and alkaline solutions, exposure to weather, and in the manufacture of many devices and articles where strength, toughness, and resistance to corrosion are desirable characteristics.

Still in Good Financial Position

Although the company's general profit and loss statement for the year ended March 31st, 1922, shows a net loss of $1,335,000, as compared to a profit of over $2,000,000 for the previous year, and a deficit of $1,870,000 after the payment of the preferred dividend, against a surplus of $1,495,000 for the previous year, the company is still in good financial position. The balance sheet shows current assets of $12,131,000 and current liabilities of only $822,000, leaving working capital of about $11,300,000.

During the first quarter of 1922 gradual improvement in the nickel industry was reflected in the company's business.

(*Continued on page 557*)

Tennessee Copper Gradually Forging Ahead

Company's Affairs Now in Much Improved Position—Trade Outlook Is Brightening

By J. N. BEHR

BACK in 1920, the affairs of the Tennessee Copper & Chemical Co. were in such an uncertain position the recommendation was made that holders of the issue might best part with it, at least for the time, and watch developments. No definite upturn in its affairs seemed likely.

Later on, Tennessee Copper & Chemical succeeding in securing release from burdensome contracts, entered into under a pre-war price scale and which had practically prohibited profitable operations, and managed in other important respects to effect a considerable improvement in its affairs. The changed situation was made the basis of the suggestion that the time for repurchasing the issue had developed.

Since the last analysis of the company was published, its affairs have continued on the upward trend and, although the recovery is evidently likely to be slow and deliberate, there now seems little doubt that Tennessee Copper has not only definitely turned the corner, but is well started toward a new period of prosperous business.

Formed Six Years Ago

Tennessee Copper & Chemical was formed as a holding company six years ago. Its properties, located near Ducktown, in Polk County, Tennessee, comprise 12,000 acres of mineral and timber lands owned in fee, including the London and Burra Burra mines; and, under lease, 270 acres additional, including the Polk County mine.

The company at the outset undertook to engage primarily in the mining and treating of copper and other metals, taking about 70% of its production from the Burra Burra mine property. For this purpose, efficient smelting and transportation equipment was erected. Although the company's ores carry close to 2% copper, however, their greatest value proved to be in sulphur content rather than as metallic ore; hence, operations were concentrated on sulphuric acid production. For this purpose two large plants, equipped to manufacture sulphuric acid from blast furnace fumes, were erected; and today, with both plants in operation, Tennessee Copper & Chemical can claim the title of the greatest producer of sulphuric acid in the United States.

The Company's Early Troubles

The early troubles of the company were due in large part to cumbersome litigation, largely in the nature of damage contracts. Also, developments in the industry made the operations of its subsidiaries, for the most part, unprofitable.

In due course, a contract with a large fertilizer company, compelling the sale of Tennessee's acid production at pre-war prices, came to an end, permitting the company to re-establish its production on the considerably higher price scale existing. About the same time, the company materially expanded its sulphuric acid production, thus enabling it to take greater advantage of the changed situation.

Since these developments transpired, other important changes in Tennessee Copper's affairs have taken place, putting the company into an entirely different position from that of two years ago. Of particular importance, the company's operating costs have declined considerably, chiefly as the result of lower labor costs. At the same time, efficiency of operations increased. There was also a gradual improvement in the price of copper, and a better tone in the agricultural sections treated by the company's subsidiaries.

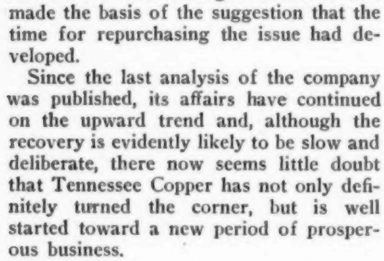
The actual importance of the changes which took place is recorded in the company's earnings results, where it is shown that, after an extended period of declining earning power, culminating in a deficit in 1919 that extended into 1920, the company came through the 1921 year with its costs fully earned and a good margin to spare.

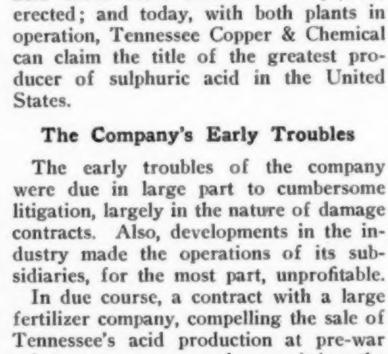
Present Conditions

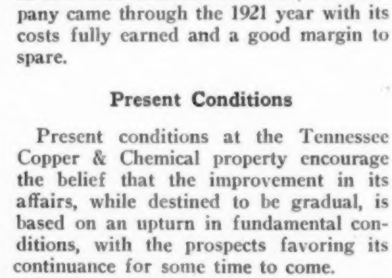
Present conditions at the Tennessee Copper & Chemical property encourage the belief that the improvement in its affairs, while destined to be gradual, is based on an upturn in fundamental conditions, with the prospects favoring its continuance for some time to come.

In its early years, the company's sulphuric acid production was confined to 60 degree production—a grade used mainly by by-product coke-oven plants and fertilizer manufacturers. As stated, the company is now marketing its production of this grade on more advantageous terms than heretofore. But what is more important is the fact that Tennessee is equipping itself for the manufacturer of a higher grade (66°) product, for which there is a more profitable market, and has already entered into a large contract for the sale of this product with Standard Oil.

(*Continued on page* 548)







The Diary of a Goop in the Stock Market

By H. I. PHILLIPS

MONDAY

I have decided to get rich. There is no turning back. I am quite determined about it. Jiggs who has the swell apartment upstairs did it. Mugkins who has the Rolls-Royce did it. The janitor of the apartment house has made quite a fortune, too, in Wall street, I understand. It is very simple . . . all a fellow needs is a little money and a good head. I have a good money and a little head—how silly!—I mean I have a little money and a good head.

* * *

Perhaps I had better speak to the wife about it first. Yes, I think I should. Then whatever happens there won't be any post mortems. Of course if I made a million without telling her in advance she would forgive me, but if I didn't . . . Yes, I must speak to her first.

* * *

The wife tells me to do as I think best. She thinks I am as smart as Jiggs, Mugkins and the janitor. So do I. I have just looked over the stock quotations. Lima Loco is around 110 today. I remember a friend telling me that was a good investment. I'm not sure whether Lima Loco is some kind of a bean or some kind of a railroad. I will ask the janitor. I have just asked him. He says it is a company that makes all the locomotives used in Lima. It takes a tremendous amount of locomotives each year to haul the Lima lima bean output to market. The janitor has a cousin whose brother knows a prominent financier who told him so.

* * *

After a locomotive hauls one shipment of lima beans to market it is practically useless; there is something about lima beans in quantity that works havoc with the mechanism of an engine, I understand. Consequently Lima has to buy new engines for every trip. It buys almost as many locomotives as it exports beans, the janitor says. An added feature is that the Lima government pays for its engines with beans. This makes the stock a much more appealing investment as Lima beans are worth more in this country today than locomotives, due to the railroad strike. I have just bought 50 shares of Loco Lima . . . I mean Lima Loco.

TUESDAY

I talked with Jiggs this morning. He has a new town car. He says Mullin's Body is a good buy. It sounds so darned gruesome! The idea of trading in anybody's body that way!

He also thinks well, he says, of Brown Shoe. I never wear anything except blacks or russets and so am prejudiced. Mugkins tells us that Air Reduction is due for a big rise. This is a company that takes air and reduces it. . . . I don't quite like the idea . . . it seems so silly. Why reduce it? Anyhow, the wife doesn't quite like the thought of having our money in air, and in air that is going to be reduced.

WEDNESDAY

Everything I have bought took a drop in the market today. Jiggs, Mugkins and the janitor tell me not to worry. They suggest a switch to Owen's Bottle for a quick profit. Owen happens to be the name of the jovial elevator boy and I thought they were jokingly suggesting a drink at first. The wife doesn't like the name of this stock. "If we must lose any money let's not lose it through an association with bottles," she says.

The ashman stopped me on the street this noon and urged me to take a flyer in Booth Fish. I hate fish. We never have it except on Friday. How can there be any profit in a product that is only sold one day a week? I asked the ashman for details. He says Booth controls most of the fish that inhabit American waters. Other fish merchants always have had to ship their fish to market but Booth has them trained so they will swim to market. This cuts down expenses tremendously. What is more, if the fish get to market and find no demand they swim back again. I have decided to buy some Booth Fish.

THURSDAY

Booth Fish dropped immediately after the market opening. Several thousand fish lost their way while swimming from the Booth Fish Works to customers last week and have been given up as lost. Unless they turn up I am a ruined man. I have a good mind to go looking for them.

Good gracious! My broker is calling for more margin. This is most annoying. Why do brokers call for more margins?

FRIDAY

I managed to get more margin. Every time I hear a footstep I think it is a policeman. I must make some money right away.

The wife has just had a letter from her seamstress urging her to buy Beech Nut. The nut business, she says, is wonderful. The letter asks "Have you ever thought of Vivaudou?" I know he is one of those French premiers, but I have never thought of him. Anyhow, what's he got to do with the stock market?

Great news! An old friend of my wife's who knew her when she was a girl and who is now in the brokerage business or who has a brother who is or something, called her up and said this was the chance of a lifetime to get aboard Dodo Petroleum. He's in on the pool, he says. We can't lose. All we need do is to give him the order, send him the check and leave everything to him. The wife says he is the soul of honor and she wouldn't hesitate a moment to trust *him* with all *my* money.

I have managed to get hold of $10,000 more without being pinched, and have put it in Dodo Petroleum.

SATURDAY

Dodo Petroleum went up six points in four hours today. I will look over the new Cadillac models this afternoon. We must have a car.

4:30—When the market closed Dodo Pete was up twelve points. I think I prefer a Pierce to a Cadillac.

SUNDAY

Have decided on a Pierce and a Cadillac.

MONDAY

Dodo Pete up five more points.

TUESDAY

Dodo Pete up seven points more. Wife picked out a country home today. Brokers called for margin on other junk held by me, but I was able to satisfy them on holdings in Dodo.

WEDNESDAY

Dodo now up twenty points. My wife certainly has wonderful friends. He advises us getting 500 shares more. I have just done so.

THURSDAY

Spent day in country closing deal for 200 acre estate.

FRIDAY

A terrible thing has happened. Dodo Pete dropped 32 points in first three hours of trading. Janitor says somebody pulled the plug, whatever that means. Am wiped out. The wife says I was a fool to monkey with the market in the first place and that she advised me against it. Have no further interest in anything save Colt Automatic Preferred and National Carbolic.

Must skip the country, but would like to get a shot at this friend of the wife's who sold me Pete Dodo or Pode Deto or whatever the damned thing was.

(Sound of muffled explosion from without.)

Intimate Talks With Readers

Some Practical Advice to Those Who Trade in Stocks—Mistakes That Should Be Avoided—Why Brokers' Carrying Charges Are an Important Item

Big Eggs in Small Baskets

LET us say a word of apology to the originator of the aphorism "Do not put all your eggs in one basket." The subjects spoken of in these columns are based on typical happenings, and only by keeping our ears to the ground can we manage to keep up to date and say something useful.

An "operator"—at least he thinks he is an "operator"—made a big speculative blunder a few days ago; he thought he was investing (they *all* do); and his case is so typical, and loss large in proportion to capital, that it is worth while describing it as a means of warning our subscribers not to make the same mistake.

The lesson will come first; we will use an author's prerogative to reverse precedent for the purpose of emphasis:

1. *Don't become expansive because you have "paper profits."*
2. *Don't plunge; even a 100-share trade is "plunging" to the 10-share man.*
3. *Keep your feet on the ground in a bull market.*
4. *Protect your commitments within one-half to two-thirds of real or paper profits.*

The "operator" referred to suffered the usual heavy losses in the last bear market, and as expressed to this writer was "thousands in the hole" at the beginning of the present upswing. Becoming properly bullish in January, 1922, by conservative trading (largely in speculative bonds), and a few wise commitments in stocks, he wiped out his former deficit, and showed "thousands to the good." A common experience this in a bull market; and nothing to brag about, since the real test is: how much is in hand in the bank, or investment securities?

Mistake number 1 was expansiveness; failure to size up real results (not assumed paper profits).

A Live Piker

Paper profits beget confidence; thence "cocksureness"; and from the latter to plunging is the path of least resistance; which our operator naturally took. He became a 100-share man because the game looked sure. Stop loss orders and himself were total strangers, in fact, not on speaking terms. He had "graduated!"

Mistake number two was the abandonment of a good little method. From odd-lot certainties and at any rate a comfortable position towards his brokers with a big equity, ample margins, and many little eggs in several baskets, he started planting *big eggs in small baskets.*

This operator started gathering a heap of exclusive misinformation instead of sticking to his last. Too much Wall Street; too much "ticker"; too much fluctuation chasing; a swelled head; and a lot of confidence—any Wall Street veteran will diagnose the symptoms and forecast the result. Our operator became acquainted with all these.

Mistake number 3 was failure to keep an even keel and his feet on the ground. He was a little intoxicated with success; exuberant at the turn in his fortunes; and did not know the difference between knowledge and auto-intoxication.

He next took on several hundred shares of a certain stock we all know, that up to now, through bad luck only is the star in the Wall Street "Follies of 1922." A 25-point break in an odd lot is bad enough; the holder of 100 shares knows how unpleasant it is; our operator held enough of the stock to make him dizzy and quite incapable of acting for himself under such circumstances.

A Dead Whale

Naturally, his brokers are perfectly calm in such an emergency, and, like the history of every other "sucker," the action of our operator was entirely dictated by his relationship to the brokers. In the final analysis he acted on their judgment instead of his own and sold out—*at the bottom of the break.* As he told the writer: "Here's a year's work shot to hell!" The writer merely said, "Too bad you bought so much." What else could one say?

Mistake number 3 was graduating too rapidy from the piker class to the 100-share man. It is better to be a live piker than a dead whale methinks and this operator overlooked the first essential of the short step from semi-investing to speculating. He should have realized that he was commencing to gamble, and even *that* game has its well-defined laws.

If by taking on 100-share lots he hoped to make a killing, it would have been proper practice to "stop his line" with stop orders sufficient to protect his equity at brokers to the point where he would at least have recovered his bear market losses of the previous year. The work of 1922 would not have been in vain.

If large profits are shown, it is proper to "draw down" half at least and salt that away in cash, short term notes, good bonds or preferred stock. No race is run or won till the winning numbers are up; and it is wrong to count the winnings during the *entreact.*

Such expansion of operations, whether for investment or speculation, as may be contemplated should be based upon a proper balance sheet and not upon a trial balance. Close the account, if necessary, draw the equity, put it in the bank (after taking a good look at it), and a week later start over again—in the same way the balance was acquired. The investors and speculators who stay in Wall Street do not make so many "killings" as they make a return on their capital consistently and steadily, without occasional staggering losses of capital due to "just one little plunge."

The Real Carrying Charges of Brokers

Has it ever occurred to you that most calculations of brokers' carrying charges are wrong? The reason for this is: all people figure in terms of "simple interest" whereas the broker charges compound interest invariably, that is to say, interest plus interest on the latter.

The brokers' statement is balanced and rendered monthly. The last item is an interest charge, which is added to the total. That total is carried forward as the first debit item in the following months' statements. In other words, interest is added to principal, and the first item in the new statement is figured as principle. This compounding of interest monthly makes a substantial addition to the total charge. That is why it pays to buy stocks that pay some dividend, and even for trading purposes one can trade as profitably in the many good dividend-paying issues as in any other. Take, for example, a stock like Sinclair Oil which now pays $2 a share. It sells at about the price ruling before it was on a dividend basis. At about $30 the constant return is 6.6% simple interest, which is a substantial help to the investor or trader who is carrying it at a cost that probably amounts to 7-7½% "compound."

Investors with any banking experience whatever avoid religously non-dividend paying issues and the typical first question of a banker on a stock is "Does it pay a dividend?" The reason for the question is clear when the thought "compound interest" is thoroughly digested.

Readers' Round Table

Railroad Electrification

Editor, THE MAGAZINE OF WALL STREET.

Sir:—I have read the article by Mr. Joseph E. Preston, headed "Why Electrification of Railroads Would Increase Profits," and feel that in justice to the railroads who have not grasped the point of view of Mr. Preston that some answer is due. Apparently Mr. Preston has let his enthusiasm for electric motive power tend to obscure his gaining a real knowledge of the facts in regard to the limitations of this form of train propulsion.

It is very hard to see what his references in regard to Mr. H. G. Wells' "Outline of History" and the Cæsars have to do with electric service on our railroads. Yet, it is just this type of literature which appears from time to time in the popular press which makes the average reader feel that the railroads are hundreds of years behind the times when they have not electrified.

It is certainly time to realize that the useful application for railroad electrification is at present extremely limited, but that within these limitations there are numerous instances in which it would be advantageous.

It is entirely improper to compare the operation of passenger trains underground in the New York subways on a ninety-minute headway with railroad traffic such as occurs on ninety per cent of the mileage of the steam railroad lines of this country, where the average number of trains moved per day is less than ten. . Mr. Preston's reference to the New York, New Haven & Hartford is also without its proper scope of information. The New Haven was forced to electrify a portion of its lines because of the electrification of the New York Central's terminal in New York City which it uses. Originally, the electrification extended to Stamford, Connecticut, the end of the local service zone, but it was found to be so unprofitable that it was necessary to electrify to New Haven in order that a complete engine stage would be handled by electric service, thus avoiding a double change of locomotives.

Consider the cost of electrification on a road like the New Haven, which carries as heavy a passenger traffic as there is in the world and with great frequency of train operation. The most recent construction for the four-track line was approximately $50,000 per mile for overhead structures alone. In addition to this, the company has had to build transformer stations every two to three miles and an enormous power station at Cos Cob, Connecticut, and has also had to make arrangements to purchase electric power in New York City. The first cost of the electric locomotives is approximately twice that of steam locomotives, with a useful life of approximately the same number of years. It will be granted that the coal consumption per train mile is considerably less than with steam operation, but the overbalancing features are the fixed charges and depreciation of equipment, even in the case of a heavy traffic road like the New Haven.

Take for instance a line over which is operated only a few trains a day. The initial cost of electrification per mile of track is as great as if a great number of trains are to be operated, for the same overhead structures are required and practically the same sub-station equipment. In this case the fixed charges in proportion to traffic handled would be out of proportion and would be prohibitive.

The financial condition of the New Haven and also of the St. Paul may be in part due to the great expenditures which these two roads have made in electrification. In fact, the first cost of the electrification of the New Haven road between Woodlawn and Stamford was as great as

(Continued on page 564)

Salvaging Your Mark Losses

How the Holder of German Currency At a Loss Might Retrieve

By A. L. ATWATER

WHAT is said about German currency speculation in the following applies to the other European currencies to the degree that they have depreciated, but for practical purposes we need consider only the situation in France,, Germany and Austria, the bulk of the speculation that followed the armistice having been in these currencies. Russia, for the time being, is out of the question, and holders of English securities or currency have little to fear.

The man who has bought mark currency or bonds at any price from six cents a mark down faces one of the most difficult problems in practical investment in view of the terrific decline in the value of his securities. He has a limited number of alternatives before him.

He can sell out and accept his loss.

He can hold on.

He can switch from one form of foreign paper into another with greater possibilities of profit, or even with only smaller possibilities of loss, to recommend it.

When a switch from mark currency or bonds whose interest and principal are payable in marks, into the stocks of German industrial corporations is recommended, it is not the purpose to imply that it would be to the advantage of anyone not already in the market on German values to invest in such securities. The move is suggested purely as a way of salvaging a certain amount of the loss if the market for marks improves, and of cutting further losses should the market continue to go down.

Disadvantages of Bonds

The disadvantages of speculating in foreign currencies by means of bonds is that in the highly inflationary countries the price of bonds tends to drop on the home markets themselves, nullifying the effects of possible advances in the currency of the issuing country. The income from these securities being fixed, while the purchasing power of this income declines as inflation proceeds, the money valuation of the income, and hence of the bond, tends to drop.

Industrial common stocks (preferred stocks, of course, behaving roughly like bonds) work just the other way. The further the mark drops, the higher stocks go on the German markets. There are many reasons for this phenomenon, apparently so paradoxical—the desire of people to get rid of their constantly depreciating paper marks in favor of an interest in tangible factory buildings and machinery; the fact that a falling mark stimulates exports and holds out the prospects of bigger earnings for industrial companies, hence a bullish factor; and the investment consideration that extra dividends can be and are declared on common stocks, securing a return on the investment, whereas bonds are usually paid for in good money (at 50 marks to the dollar, say) and returned, interest and principal, in bad, at 400.

For our purposes in this study we can neglect the completely fundamental factors determining the outlook for a given country from the standpoint of the speculator in its currency—its political strategic position, the extent of its invasion by pronounced or extreme radical movement, as expressed in strikes or revolution, its fiscal situation, monetary structure, etc. All these things are to be considered—or overlooked—before the purchase of the currency or bonds.

To switch into industrial stocks one must consider a different set of factors. The status of the industry in many cases is apt to be different from that of the corresponding one in the United States. The automobile industry, for instance, is weakly organized and insignificant, while the shipping industry is extremely prosperous. The company selected must be solidly established in its industry to avoid the piling up of the speculative risk inherent in the securities of a young country on top of the foreign exchange risk. It should be fairly representative of the state of industrial prosperity of its country.

Another important desideratum is the stability of the industry selected for investment. Certain industries are capable of participating extensively in the advantage of a boom, while not falling below a fixed and fairly high minimum of earnings in time of prosperity. The telephone industry, for instance, fails to satisfy the first requirement, as the steel industry the second. Shipping, brewing, coal mining, are examples of satisfactory industries.

Where inflation has advanced very far, as in Central Europe, it is evident that the most profitable industries are those which depend upon export rather than on domestic trade, as wherever inflation has advanced beyond a certain point, it has cut down the buying power of the vast mass of the people. In Germany, for instance, the wage increases amount to 25 or 30 times the pre-war rate, at the most, while prices have gone up to some 70 times. Under the circumstances a shoe factory, for instance, relying upon German customers will not make out nearly so well as a hardware company, 90% of whose business is export.

In the extremely inflationary countries an important question is that of capitalization. Stock-watering is practically an unknown evil in Europe, at least as we understand it in America, because of the stringent laws controlling stock issues. At the outbreak of the war, therefore, stock certificates represented actual invested capital, paid for in gold marks. As inflation proceeded, working capital was found to be more and more insufficient to handle the new scale expenditures, and one company after another had resources to new stock emissions, paid for with marks whose internal and external value was constantly declining. By now there are practically none left whose stock represents pure pre-war gold values. The date of issue of the capital stock is therefore an important factor in determining price and future outlook, a situation peculiar to highly inflated currencies, and other things being equal, the one with the greatest proportion of old capital is preferable.

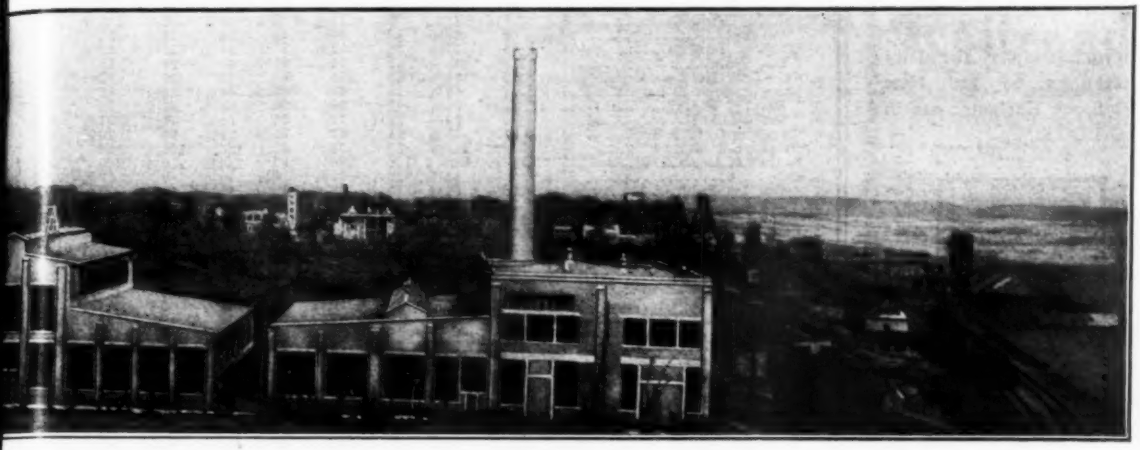
Of three companies each having 10,000,000 marks' worth of capital stock, one may have issued no stock since 1914, the second may have floated half of its outstanding stock in 1917, and the third may have had 2,000,000 marks out in 1914, sold 4,000,000 in 1917 and 4,000,000 in 1922. If the first stock were selling at 1,000, the second would probably be at 500 and the third at 100.

Technical Details

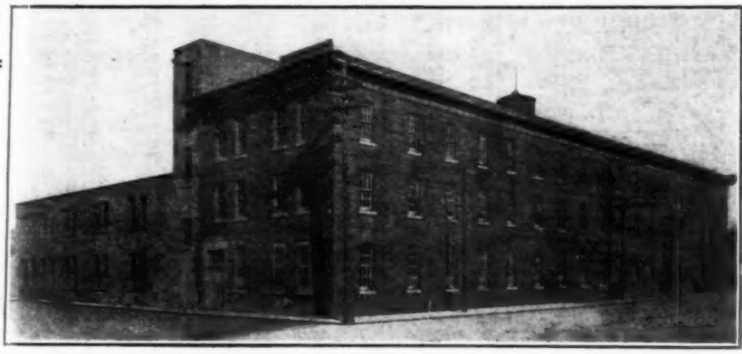
This leads us to certain technical details connected with the purchase of stocks in Europe. In Germany, stocks are quoted at percentages of their par value, which is often, but not always, 1,000 marks; this point should always be verified in checking up on prices. A quotation of 5,000 in a German paper for a given stock means that that stock is selling at 50 times its par value, which may be 1,000 or 500 marks; the actual price would therefore be 50,000 or 25,000 paper marks.

In most cases, actual physical stock certificates cannot be obtained because of the law forbidding the exportation of capital. What the buyer of European securities does get is a certificate of deposit with a foreign bank, often some big bank like the Deutsche Bank or the Dresdner Bank. This certificate protects the interests of the investor, but is, of course, not easy to market, nor very useful for collateral.

On the whole, the purchase of these stocks is recommended only to holders of foreign currencies who have suffered severe losses through having held their paper for a very long time, and *only* for the purpose of cutting losses. New investors or speculators will find much more attractive opportunities in the securities of the United States themselves.



PETER LYALL PLANT



Peter Lyall Plant to be sold on premises at 10 A. M., Sept. 5.
Munitions and Machinery Plant to be sold on premises at 3 P. M., Sept. 5.

FACTS ABOUT THE TWO PLANTS

Peter Lyall Construction Co. Plant

Situated on St. Lawrence river, three miles from center of Montreal.

Sidings connect with Canadian Pacific, Canadian Northern and Grand Trunk Railways.

Channel 25 feet deep permits loading ocean-going steamships.

Four buildings of steel, brick and concrete, built in May, 1918. Main building (two-story), 184,448 sq. ft.; Forge building, 42,328 sq. ft.; Electric and Power Building, 20,400 sq. ft.; and Heat Treating building, 13,175 sq. ft. Floor load, 350-400 lbs. a sq. ft.

Munitions and Machinery, Ltd., Plant

Situated at 17th Ave. and Notre Dame St., Lachine, 7 miles from center of Montreal.

Siding connects with Canadian Pacific and Grand Trunk railways.

Plant about half-mile from St. Lawrence river.

One three-story Main building, with one and two-story additions; brick; 42,000 sq. ft. floor. Floor load, 250-300 lbs. a sq. ft.

All figures on both plants are approximate.

WRITE FOR FREE BOOK

A large prospectus containing floor-plans, photos and full data on these two plants will be sent on request. Communicate at once with

Quartermaster General, U. S. Army
Munitions Bldg., Washington, D. C.,

or

Gerth's Realty Experts, Auctioneers
101 West 42nd St., New York City

ARTMENT

New York Stock Exchange

	Pre-War Period 1909-13		War Period 1914-18		Post-War Period 1919-21		1922		Last Sale	Div'd $ per
RAILS:	High	Low	High	Low	High	Low	High	Low	July 26	Share
Atchison	125⅜	90¼	111¼	75	104	76	102⅞	91¾	102⅞	6
Do. Pfd	106¾	96	102⅛	75	89	72	91⅞	85	‡91	5
Atlantic Coast Line	[illegible]	102½	126	79⅞	107	77	111¼	83	109	7
Baltimore & Ohio	122¼	90⅝	96	88¼	55¼	27⅝	57	33½	57	..
Do. Pfd	[illegible]	77¼	80	48¼	59½	38½	63¾	52½	63	4
Canadian Pacific	[illegible]	165	220⅛	126	170⅞	101	145	119⅛	140	10
Chesapeake & Ohio	[illegible]	51⅛	71	35⅝	70⅜	46	70½	54	70½	4
Chicago Great Western	36⅞	1¼	17½	6	14½	6¼	10½	5¼	8¾	..
Do. Pfd	61⅛	28	47½	17½	38⅜	14	24½	14½	21	..
C. M. & St. Paul	165⅛	96¼	107⅛	35	52¾	17¼	29¾	16½	28¾	..
Do. Pfd	[illegible]	130½	143	62½	76	29½	47	29	45	..
Chicago & Northwestern	[illegible]	123	136⅞	85	105	60	78	59	76¾	5
Chicago, R. I. & Pacific	..	..	45¾	16	41	22⅝	48¼	30¾	43½	..
Do. 7% Pfd	..	..	94¾	44	89¾	64	98½	83¼	94	7
Do. 6% Pfd	..	..	80	35¾	77	54	84⅝	70¼	81⅞	6
Cleveland C. C. & St. L.	[illegible]	34⅞	62⅝	21	61	31⅜	76½	54	76½	2
Delaware & Hudson	[illegible]	147½	159½	87	116	83¼	126	106¾	123	9
Delaware, Lack. & W.	[illegible]	192½	242	160	260½	93	130⅜	110½	129	6
Erie	61¼	33½	59½	18¾	21⅜	9½	18¾	7	16⅞	..
Do. 1st Pfd	49¾	26¼	54¾	15⅛	33	15	27¾	11⅛	25	..
Do. 2nd Pfd	89⅛	19½	45⅝	13⅛	23¾	10	20¼	7⅛	17¾	..
Great Northern Pfd	157⅞	115½	134¾	79¼	100⅝	60	82	70¼	81⅞	7
Illinois Central	162⅛	102¾	115	85¾	104	80⅞	109⅞	97½	108½	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	30¼	22	25½	..
Do. Pfd	75½	56	65½	40	57	40	59½	52¾	‡57	4
Lehigh Valley	121¼	62½	87⅛	50⅜	60¾	39¾	67⅜	56⅝	65	3½
Louisville & Nashville	170	121	141⅞	103	122¾	94	136½	108	130½	7
Minn. & St. Louis	*65	*12	36	6⅞	24½	5⅛	14½	5	11¼	..
Mo., Kansas & Texas	51⅛	17½	24	3⅛	16⅝	¾	14	⅜	‡11½	..
Do. Pfd	78¼	46	60	6½	25⅛	2	14¼	1½	‡14	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	11½	25¼	16	22⅜	..
Do. Pfd	..	..	64⅞	37½	58¾	33⅜	59¾	43½	57½	..
N. Y. Central	147¾	90⅜	114¼	62½	84¼	64⅛	97¾	72¾	96⅝	5
N. Y., Chicago & St. Louis	109¾	90	90¾	53	65	23¾	83	51⅝	83	5
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	12	35¼	12⅜	31⅜	..
N. Y., Ont. & W.	55⅝	25⅛	35	17	27⅜	16	30½	19¾	26½	2
Norfolk & Western	119¼	84¼	147⅛	92⅝	112½	84¼	111	96¼	111	7
Northern Pacific	159½	101¾	118⅞	75	99⅞	61¼	82½	73½	77½	5
Pennsylvania	75⅝	53	61½	40¼	48½	32¼	45⅛	33¼	47	2
Pere Marquette	[illegible]	*15	38⅛	9½	33½	12⅛	34⅞	19	34.	..
Pitts. & W. Va.	..	..	40⅜	17¾	44¾	21⅛	39½	23	39½	..
Reading	89⅝	59	115½	60⅛	108	60¾	82⅞	71⅛	75½	4
Do. 1st Pfd	46¾	41¼	46	34	61	32⅞	57	43	52	2
Do. 2nd Pfd	58¾	42	52	33¾	65½	33¼	59½	45⅞	‡52½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¾	31½	20⅝	28¼	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	32⅜	20½	28½	..
Do. Pfd	82⅜	47½	65⅛	28	49¾	20⅛	50	32⅜	45¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	93⅜	78⅛	90½	6
Southern Ry	34	18	36¼	12½	33¼	17⅜	25¾	17⅛	24⅞	..
Do. Pfd	86⅞	43	85¼	42	72½	42	59⅜	45¾	57½	..
Texas Pacific	40½	10¼	29½	6½	70½	14	36	24	29⅜	..
Union Pacific	219	137¾	164⅜	101¼	138½	110	144¾	125	142½	10
Do. Pfd	118½	79¾	86	69	74¾	61¼	76⅞	71¼	‡74¾	4
Wabash	*27⅞	*2	17½	7	13⅜	6⅜	14⅜	6	12	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	38	17	34⅜	19⅛	31⅞	..
Do. Pfd. B	..	..	32⅞	18	25½	12½	24	12¼	‡20½	..
Western Maryland	*56	*40	23	9¼	15⅝	8⅜	13½	8¼	11¼	..
Western Pacific	..	..	25½	11	40	15	24⅞	13¾	18⅞	..
Do. Pfd	..	..	64	35	78	51½	64½	51⅝	57⅛	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6¼	16½	6	13¾	..
INDUSTRIALS:										
Allied Chem	..	..	..	..	62⅜	34	72⅜	55⅛	68⅛	4
Do. Pfd	..	..	..	..	103¾	83	110	101	107	7
Allis Chalmers	10	7⅝	49⅛	6	53⅞	26½	56	37¾	54	4
Do. Pfd	43	40	92	32½	97	67¼	100	86½	98	7
Am. Agr. Chem	63⅝	33½	106	47¾	113¾	26½	42⅞	29¾	37⅝	..
Do. Pfd	105	90	103½	89⅛	103	51	70⅛	55¾	63½	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	49	31¾	46½	..
Am. Bosch Mag	..	..	..	..	143⅞	29⅛	49	31¼	35⅞	..
Am. Can	47⅜	6⅞	68½	19¼	68⅝	21¾	59⅞	32⅛	59⅛	..
Do. Pfd	129¼	98	114½	80	107⅝	72	109	93¼	‡108	7
Am. Car & Fdy	76½	36½	98	40	151¼	84⅛	169¾	141	168½	12
Do. Pfd	124¾	107½	119½	100	119	105¾	121½	115½	‡121	7
Am. Cotton Oil	79¼	33½	64	21	67½	15⅛	30½	19⅛	25¾	..
Do. Pfd	107½	91	102¼	78	93	35½	61	41	‡50	..
Am. Drug Synd	..	..	..	..	15⅛	4	6½	4½	‡5¼	..
Am. Hide & L.	10	3	22⅛	2½	43⅛	5	17⅜	12	13⅞	..
Do. Pfd	51⅞	15⅛	94⅞	10	142⅜	35	73	58	‡68½	..
Am. Ice	..	..	49	8⅞	83½	37	114½	78	110	7
Am. International	..	..	62¾	12	132¼	21¼	50⅝	38⅛	42⅜	..
Am. Linseed	20	6⅞	47¾	20	95	17¼	40¾	29⅜	33½	..
Am. Loco.	74¾	19	98¼	46⅝	117½	58	118¼	102	116	6
Do. Pfd	122	75	109	93	115	96½	118	112	‡117	7
Am. Safety Razor	..	..	..	..	22	3½	8⅝	3⅝	6⅛	..
Am. Ship & Com.	..	..	..	..	47½	4¾	25⅛	5½	19¾	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	89¾	29¼	67½	43⅝	61	..
Do. Pfd	116¾	98¼	118⅛	97	109⅝	63¼	99⅛	86⅛	97⅞	7
Am. Steel Fdys	74½	24⅛	95	44	50	18	40⅛	30¾	37⅛	3
Do. Pfd	..	..	..	..	96½	78	100	91	99⅜	7
Am. Sugar	136⅜	99⅞	126⅜	89⅛	148⅜	47⅝	82¼	54⅛	81⅝	..
Do. Pfd	133½	110	123½	106	119	67½	117	84	‡106	7
Am. Sumatra Tob	..	..	145¾	15	120½	28½	47	23¼	38	..
Do. Pfd	..	..	103	75	105	64¾	71	52¼	‡60	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	119½	92⅛	124½	114½	122⅛	9
Am. Tobacco	*530	200	256	123	314½	104⅛	147½	129⅛	143¼	12
Do. B	..	..	..	..	210	100⅛	142½	126	139¼	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	95⅜	78¼	91¾	7
Do. Pfd	107¾	74	102	72½	110¾	88½	109	102½	108¾	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	57	47	54	..
At. Gulf & W. I.	13	5	147¾	4½	192⅝	18	43¼	23½	33¾	..
Do. Pfd	32	10	74¾	9⅞	76½	15¾	31¼	16½	24	..
Baldwin Loco	60¾	36½	154½	26⅝	156¼	62¼	121½	92¾	117⅝	7
Do. Pfd	107½	100¼	114	90	111⅞	92	114½	104	‡111¼	7
Bethle. Steel B	*51⅝	*18¾	155½	59¾	112	41½	82¾	55½	78¾	5
Do. 7% Pfd	80	47	186	68	108	87	101	90⅞	98½	7
Do. 8% Pfd	..	..	110½	92½	116	90	116½	104	114½	8
Calif. Packing	..	..	50	30	87½	48¼	80⅞	65	79	6
Calif. Petro.	72½	16	42⅜	8	56⅞	18⅜	71⅞	48½	58¼	..

Price Range of Active Stocks

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-21 High	Post-War Period 1919-21 Low	1922 High	1922 Low	Last Sale July 26	Div'd $ per Share
INDUSTRIALS—Continued:										
Calif. Petro. Pfd	95½	46	81	29½	88	63	98½	83	93¾	7
Central Leather	51¾	16½	123	25⅞	116½	22⅛	42	29⅜	39	..
Do. Pfd	111	80	117½	94⅞	114	57⅞	74⅜	63⅜	71½	..
Cerro de Pasco	..	..	55	25	67½	23	40⅞	32¾	37¾	..
Chandler Mot	..	..	109⅞	56	141⅛	38⅜	79¼	47¾	65	6
Chile Copper	..	..	89¼	11¼	29¾	7⅛	23⅛	15⅛	22⅛	..
Chino Copper	50⅜	6	74	31⅛	50⅞	16⅜	33⅛	25⅜	29⅜	..
Coca Cola	..	..	..	..	43⅝	18	74½	41	70½	4
Colum. Gas & E	..	..	54⅛	14¼	69	39¼	94½	64⅜	93⅜	6
Columbia Graph	..	..	*166	*97	75¼	2⅜	5¼	1¼	4⅛	..
Consol. Cigar	..	..	..	..	80	13½	28½	18⅝	23¼	..
Consol. Gas	165¼	114½	150½	112½	106⅜	71¼	125⅞	85	122¾	8
Corn Prod	26½	7⅜	50½	7	105¼	46	108¼	91¼	107	6
Do. Pfd	95½	61	113½	58⅛	112	96	118⅛	111	‡115	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	90½	52¾	89⅞	..
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	19¼	8⅛	17⅛	..
Cuban Amer. Sugar	*58	*33	*273	*38	*605	10⅞	27⅛	14½	26¼	..
Fisk Rubber	..	..	..	..	55	8¾	19½	11⅛	13⅞	..
Freeport Tex	..	..	70½	25¾	64⅜	9½	26⅞	12¼	22¼	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	32½	73¾	55⅛	72¾	..
Gen'l Electric	188½	129¾	187¼	118	176	109½	178¼	136	177½	8
Gen'l Motors	*51¼	*25	*850	*74½	42	9⅜	15¼	8⅛	13⅞	..
Do. 6% Pfd	..	..	99½	72¾	95	68	83½	69	‡80½	6
Do. 6% Deb	..	..	..	..	94¾	60	84	67¾	‡80½	6
Do. 7% Deb	..	..	..	..	94	69	97	79½	‡94	7
Goodrich	80½	15½	80¼	19⅝	93⅜	26⅝	40⅞	24½	38½	..
Do. Pfd	109¾	73⅜	116¾	79⅞	100½	62½	91	80½	‡86¼	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	45⅜	31⅜	40	4
Houston Oil	25½	8¼	86	10	116½	40½	85	70	75	..
Hupp Motors	..	..	11¼	2½	23¼	4⅝	21¾	10⅞	18⅝	1
Inspiration	21⅝	13⅞	74¼	14¼	68⅞	28	45	37½	41½	..
Inter. Mer. Marine	9	2⅛	50⅞	⅝	67¾	7⅝	27½	13¼	18¾	..
Do. Pfd	27⅝	12½	125⅝	8	128½	36	87⅜	62¼	71¾	6
Inter. Nickel	*227¼	*135	57½	24⅛	33⅞	11⅛	19⅜	11⅛	17½	..
Inter. Paper	19¾	6½	75½	9½	91¾	30⅛	54⅞	43⅞	53½	..
Invincible Oil	..	..	..	..	47¼	5½	20¼	12⅛	12⅞	..
Island Oil	..	..	..	..	7¼	2	3	⅝	⅞	..
Kelly Springfield	..	..	85¼	36⅞	164	25½	53¾	34¼	47¼	..
Do. 8% Pfd	..	..	101	72	110¼	70¼	107¼	90½	100	8
Kennecott	..	..	64¼	25	43	14⅝	39⅝	25½	36	..
Keystone Tire	..	..	46½	11	126¾	8¼	24⅛	9½	11	..
Lackawanna Steel	55½	28	107	26½	107¾	32	84½	44	70¾	..
Loews, Inc	..	..	..	..	38⅜	10	18⅝	11	15¼	..
Loft, Inc	..	..	..	..	28	7¾	14¼	9	12	1
Mexican Pet	90½	41¼	129⅜	46½	264	84½	204½	106⅛	166¼	12
Miami Copper	30¼	12¾	49⅜	16½	32¾	14⅛	31⅜	25¾	29⅞	2
Middle States Oil	..	..	..	..	71¾	10	18	11⅝	12⅞	1.20
Midvale Steel	..	..	98½	89½	62¼	22	45⅛	27⅛	36⅛	..
Nat'l Lead	91	42½	74⅝	44	94½	68½	103½	85	100½	6
N. Y. Air Brake	98	45	136	55⅞	145¾	47½	80	57	‡78⅜	..
N. Y. Dock	40¼	8	27	9¼	70¾	16¼	46	28	35	2½
North American	*87⅞	*60	*81	*38⅞	46	32¼	71⅜	44⅛	70½	5
Do. Pfd	..	..	..	..	41½	31⅞	45	38	44¼	3
Pacific Oil	..	..	..	..	50⅜	27½	69⅜	44⅜	54½	3
Pan, Amer. Pet	..	..	70¾	35	140¼	38⅛	86½	48⅞	73¾	6
Do. B	..	..	..	..	111¾	34⅛	82½	44	67½	6
Philadelphia Co	59¾	37	48⅞	21½	48	26½	40½	31½	37⅝	3
Phillips Pet	..	..	..	..	44½	16	59¼	28¼	42⅞	2
Pierce Arrow	..	..	65	25	99	9¼	24⅝	8	10½	..
Do. Pfd	..	..	100	88	111	21	49	18⅞	23½	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	45	68	58⅞	65	5
Pressed Steel Car	56	18½	88¼	17¼	113¾	48	83¾	63	81⅜	..
Do. Pfd	115	88½	109⅛	69	106	83	100⅞	91	‡99	7
Punta Aleg. Sug	..	..	51	29	120	24¾	53¼	30¾	50¾	..
Pure Oil	..	..	148⅞	31⅞	61⅞	21½	38⅜	26¾	27⅝	2
Ry. Steel Spg	54½	29¼	78½	19	107½	67	109	94	106½	8
Do. Pfd	113⅜	90¼	105½	75	112	92½	115¼	108¼	‡109½	7
Ray Cons. Cop	27½	7½	37	15	27½	10	19	13½	16¼	..
Replogle Steel	..	..	..	..	93½	18	41	25½	33	..
Republic I. & S	49½	15¾	96	18	145	41⅛	78⅝	46¼	74	..
Do. Pfd	111¼	64½	112⅝	72	106¾	75¼	95¼	74	92½	..
Republic Motors	..	..	77	31	74½	5	14½	4½	9⅝	..
Royal Dutch N. Y	..	..	86	56	123⅜	40⅛	67	47¼	54½	3.88
Shell T. & T	..	..	..	..	90¼	30⅞	48½	35⅝	38	.88½
Sinclair Con. Oil	..	..	67⅛	25¼	64¼	16½	36¾	18¾	31⅜	2
Sloss Shef. Steel	94⅝	23	93¼	19½	89	32½	54½	34½	‡40	..
Stand. Oil N. J	*446	*322	*800	*355	218	124½	198¼	169	181¼	5
Do. Pfd	..	..	..	..	114½	100⅛	117¼	113⅜	116¼	7
Stromberg Carb	..	..	45¼	21	118⅛	22⅛	59⅝	35¼	43⅛	..
Studebaker	49½	15¾	195	20	151	37¾	139½	79⅛	128⅜	7
Do. Pfd	98⅛	64½	119½	70	104½	76	118	100	‡116	7
Superior Steel	..	..	96	30¼	60	26	39½	26	‡31	..
Tenn. Cop. & Chem	..	..	21	11	17¼	6¼	12¾	9¾	10¼	..
Texas Co	144	74½	243	112	57¾	29	50½	42	46	3
Tex. Pac. C. & O	..	..	..	..	195	15¼	32¼	23	25¾	1
Tobacco Prod	145	100	82⅜	25	115	45	84¼	54¼	54⅜	6
Transcontl. Oil	..	..	..	..	62⅝	5⅝	20⅛	7½	14⅜	..
United Fruit	208½	126½	173	105	224⅞	95¾	148	119¾	144⅜	8
Un. Retail Stores	..	..	..	..	119¼	45¼	71¼	43¼	63	..
U. S. Food Prod	41⅝	9¼	64¾	5½	91⅜	8½	18⅛	2¼	7⅝	..
U. S. Ind. Alco	57¼	24	171½	15	167	35¼	65¼	37	64⅜	..
U. S. Rubber	59½	27	80½	44	143¾	40½	67½	51⅝	60¼	..
Do. Pfd	123½	98	115¼	91	119½	74	107	99	‡106	8
U. S. Smelt. & R	59	30⅜	81½	20	78¼	26	45¾	32¾	‡40	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	103¼	82	101¼	5
Do. Pfd	131	102½	123	102	117½	104⅛	122	114¼	120¼	7
Utah Copper	67½	38	130	48½	97½	41⅛	69¼	60⅜	65½	2
Vanadium	..	..	..	..	97	25⅛	53	30¼	48¼	..
Va.-Caro. Ch	70⅛	22	60¼	15	92½	20¼	36⅞	27½	27⅛	..
Do. Pfd	129½	62	115⅛	80	115⅞	57⅜	82	61½	59½	..
Western Union	86¼	56	105½	53⅜	94	76	105½	89	105½	7
Westinghouse Mfg	45	24¾	74⅞	32	59⅞	38⅞	64	49⅛	61⅜	4
White Motors	..	..	60	30	86	29¼	51¼	35⅜	48	4
Willys Overland	*75	*50	*325	15	40¼	4⅝	10	4½	8¼	..
Wilson Co	..	..	84¼	42	104⅞	27½	49⅜	27⅛	45	..
Woolworth	177⅞	76⅛	151	81½	139¼	100	170	137	170	8

* Old stock. ‡ Bid price given where no sales made.

INQUIRIES ON INDUSTRIAL SECURITIES

(*Continued from page 523*)

pany earned $6.30 on the common stock; in 1921, $8.34, and earnings for the first quarter of the current year showed net after interest and other charges, $1,571,740 as against $1,432,282 in 1921. We regard the stock as a good business man's investment and, if earnings continue to improve, it may be that the directors will raise the dividend rate, but we do not consider there is any great likelihood of a large stock dividend being paid. At present price the stock looks attractive.

ADVANCE RUMELY

Competition Severe

Will you please give me your opinion of Advance Rumely preferred. I am considering it as a speculative purchase at the present price.—W. I. Fort Lupton, Colo.

Advance Rumely preferred is now selling at around $49 per share and the common at around 19. The company has outstanding $855,000 ten-year sinking fund gold debentures, due 1925; $12,500,000 preferred stock 6% cumulative and $13,750,000 common stock. The balance sheet, as of December 31, 1921, showed a considerable deduction in inventory as compared with the past year, but no progress has been made in collection of customer's notes. The company, taking all things into consideration, however, was in a fairly good position and with better financial conditions in agricultural communities, Advance Rumely will probably show some improvement in operations. It must be borne in mind that this is a period of very keen competition in this industry and it seems to us there are better speculative opportunities in other directions. We would prefer White Motors, selling around the same price and paying dividends at the rate of $4 per annum.

A DANGEROUS POLICY

Looking for Tips on Stocks

I have come to the conclusion that unless I can get inside information on certain pool operations there is no big money in the stock market. I also differ with you as to the desirability of switching to another stock when the stock you hold has fairly good value as I believe it is better to average and avoid commissions and other expenses. You advised my selling Minneapolis & St. Louis at 6 and buying American Ship & Commerce. I did buy American Ship & Commerce at 8¾ but I also held my Minneapolis & St. Louis and got 12½ for it. You also advised selling Oklahoma Producing & Refining at about 3 and buying Radio Corp. preferred. Oklahoma advanced to over 4 and Radio preferred only advanced a little. The claim is made that there is a new patent on radio instruments that will take the place of the older patents. What do you think of Radio preferred now?—P. A. L., Los Angeles, Cal.

We are in receipt of your letter of the 8th, but do not agree with you that there is no big money in the stock market unless you have inside information as to the action of certain pools, etc. Of course, such information is valuable if finally proved correct, but there is a great amount of misinformation sent out as to the doings of pools and you are confronted with the necessity of separating good from bad. More money is lost on tips handed around the street than is made. Our advice to sell Minneapolis & St. Louis at 6 and purchase American Ship & Commerce at 8¾ would certainly have proved profitable to you, because, while the former advanced 6 points the latter moved up 16. Oklahoma Producing & Refining sold at a little over 4 it is true, but it is now below 3. It is impossible and you need not expect to be able to buy at the lowest price and sell at the highest figure a stock may temporarily reach. We think well of Radio Corp. preferred as a long-pull speculation, regardless of any claims, news, tips, etc., which may reach you and to which you may give heed.

BROOKLYN RAPID TRANSIT

7% Notes Look Best

May I ask your opinion of Brooklyn Rapid Transit stock and certificates as a speculation on the long side? Which offers the better opportunity and why?—B. C. M., New York City.

In our opinion, Brooklyn Rapid Transit certificates are more attractive than the stock as they are selling lower and the chances are that when the company is reorganized and brought out of receivership, the stockholders will have to deposit their stock anyhow, and will not have any advantage over the certificates.

Rather than purchase either of these securities, however, we suggest the purchase of B. R. T. 7% notes selling around 83. There is 28% back interest due on these notes, and it is likely that any reorganization plan put out would provide for retirement of the notes at par and some adjustment of back interest.

MEXICAN BONDS

Proposed Debt Adjustment

As the holder of several Mexican bonds I would like to know if you have any information at hand at the present time as to what disposition may be made of these securities should the bankers come to terms with the Mexican Government.—G. O. G., Hartford, Conn.

The details of the agreement as to the internal debt and interest due on Mexican bonds have not been made public and will not be until the agreement itself has been approved by President Obregon. The plan contemplates that interest payments are to be begun after January 2, 1923, based on the relative values and priorities of the different issues of bonds. For such portions of current interest as is not met in cash, scrip will be issued and redeemed in due course from certain funds set aside for that purpose. Funds for current interest will be increased each year until January 1, 1928, when full service of the debt will be resumed. As to back interest, all cash payments are to be waived. The overdue coupons are to be deposited with the trustees and against these coupons receipts will be issued, to be amortized without interest over a period of

time. This arrangment is, in effect, equivalent to a cancellation of a part of the back interest.

It is our opinion that under the Obregon régime, Mexico will continue to make progress, and, while, of course, the bonds are highly speculative under present conditions, they would seem to offer a speculation of considerable promise. We believe that the present Government of Mexico will be recognized by the United States and, aside from the ultimate value of the bonds, this fact will probably have a sentimental effect on the price of the securities.

PENNSYLVANIA RAILROAD

Should Increase Dividend

Among my investment holdings I have 200 shares of Pennsylvania Railroad stock. Paying $2 this stock does not give a very attractive return. Do you believe the dividend will be increased? Do you advise holding the stock or switching to something else?—G. A. S., Grand Rapids, Mich.

Pennsylvania Railroad has shown a remarkable improvement in earnings in the current year. Gross business has been satisfactory and the company succeeded in making an important saving in operating expenses. While it is too early in the year to accurately forecast what will be earned on the stock in 1922, indications are that between $4 and $5 a share will be shown. Pennsylvania Railroad has the longest record of unbroken dividend payments of any corporation in the country, having paid something on the stock in every year since 1856. From 1900 to 1921 not less than 6% ($3 a share on present par value of $50) was paid every year. In April, 1921, the dividend was reduced to $2 a share. Pennsylvania is in very strong financial condition, with a working capital of about one hundred million and therefore is justified in paying out the major portion of its earnings in dividends. In our opinion, the road is in a position to increase the dividend to $3 a share in the near future. As a $3 payer a stock with the investment standing of Pennsylvania should sell above 50. We deem it advisable for you to continue to hold your shares.

WANTS 8% RETURN IN STOCKS

Three Suggestions

I should like your advice about some dividend-paying stocks, about three, that would yield me close to 8%. I want stocks that you believe would give a fair degree of safety.—R. F., Baltimore, Md.

The following stocks yield nearly 8% on the investment and we regard them as attractive purchases at present levels.

Stock	*Dividend*	*Price*
Amer. La France Fire Engine	$1	12
Phila. Co.	3	38
Westinghouse Electric	4	59

These three companies have shown a good earning power over a long period of years, and the dividends, in our opinion, can be regarded as reasonably secure. There is a possibility that in a year's time dividends may be increased, but in the meantime, you would be getting a good return on your money.

(*Continued on page* 465)

Current Bond Offerings

THE feature of new bond offerings in the past two weeks was the exceptionally high volume of industrial securities offered for subscription, most of these being in the form of fixed-income bearing issues (bonds). The most important of these was the $12,500,000 issue of the Virginia-Carolina Chemical Corporation 7½% bonds due 1937. These bonds were offered at a yield of 7.73%, a sufficiently high yield considering the current low level of money rates. Undoubtedly the high yield which the corporation had to offer in order to secure subscription was due to the fact that the fertilizer industry has not yet been placed on a thoroughly adjusted basis, though conditions are now developing which will probably restore former earning power to this industry next year, in which case these bonds should prove unusually attractive. They also carry a conversion privilege. Another important issue was the $5,000,000 offering of 7½% bonds, due 1947, by the Otis Steel Corporation.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
New Orleans, La.	$1,400,000	4.50–4.75
San Antonio, Tex.	1,000,000	4.25–4.60
Miami, Fla.	695,000	4.80–5.00
Toledo, O.	562,000	4.00–4.35
Do.	1,000,000	4.00–4.40
State of Oregon	1,000,000	4.25
Phila., Pa.	6,000,000	3.93
FOREIGN		
Province of Nova Scotia	$2,000,000	5.10
INSULAR		
Philippine Gov't	$15,000,000	4.55
PUBLIC UTILITY		
South. Col. Pr. Co.	$6,000,000	6.50
Havana Elec. Ry. Lt. & Power Co.	3,600,000	6.07
Okla. Gas & El. Co.	500,000	6.50
RAILROAD		
Bos. & Maine Equ.	$1,815,000	5.00–5.50
INDUSTRIAL		
Virginia Carolina	$12,500,000	7.73
Otis Steel	5,000,000	7.95
Cons. Mach. T. C'p	3,600,000	7.10
Munson Steamship	750,000	6.00–6.40
David Eccles Co.	2,300,000	7.00–7.25

Municipal Offerings

There was the usual large volume of municipal offerings, the largest of these being the $6,000,000 City of Philadelphia 4s due 1972. These bonds were offered at a 3.93% basis, an interesting index of the condition of the market for high-grade municipals. Most other municipals were offered at approximately a 4.25 to 4.50% yield basis, which is just about in line with rates for time money.

The public utilities were featured by an offering of $6,000,000 of the Southern Power Colorado Company. These bonds, due 1947, were put out on a 6.50% yield basis, roughly the same yield offered by most good public utilities at this time. There was also a fairly large offering of $3,600,000 of the Havana Electric, Railway, Light & Power Co. general sinking fund mortgage 5s. These bonds were offered at 6.07%. They are due in 1954.

One of the interesting featurities of this department of securities has been the relative dearth of new foreign issues. Undoubtedly this is due to the prevailing uncertainty with regard to the outcome for European Government finances, and it is likely that new issues that were being contemplated for issue in the near future will be held in abeyance until some progress has been made in the general situation.

Despite the great labor strikes both new and old bonds were actively bought. Many old issues reached their highest levels in years in the period under discussion, and investment houses report that there is no difficulty in disposing of the better grade of new issues.

The outlook for the immediate future favors a low money rate and continued activity therefore may be looked for in the near future with regard to the sale of new bond issues. Large funds for investment still remain in the hands of the public and is likely to remain so until the improvement in business conditions commences to make inroads on the general money supply.

TENNESSEE COPPER & CHEMICAL CO.

(*Continued from page* 536)

The company has also entered into an arrangement under Minerals Separation which will permit a very large increase in its copper production and a considerable decrease in the copper production costs.

Improvements inside the property come at a time when trade conditions are bettering materially. The advanced price of copper has already been referred to; in addition, there is the improvement in the situation in the cotton-growing sections of the country. The boll weevil, the greatest menace of the cotton grower, thrives on poorly fertilized acreage; the farmer fully realizes the importance of fertilizer, and will spread it on as thickly as he can under normally profitable price conditions; the comparatively small cotton crop this year, coming in the face of a large demand for the commodity, presages the planting of a larger acreage in 1923. All these factors tend to indicate an increasing demand for fertilizers, and a stable price level in the fertilizer markets, which will, of course, react to the benefit of such concerns as Tennessee Copper & Chemical.

Market Outlook

The capitalization of the company consists of $1,141,500 1st mortgage convertible 6s, due November, 1925; and 800,000

shares of capital stock of no par value, mostly issued.

The shares at the present time are selling around 12, or just double their low point of 1920, when the company's affairs were in such an involved position.

Having rid itself of contract restrictions which prevented profitable operations, and with the improving trade conditions in mind, the outlook is for a gradual upbuilding of the Tennessee Copper & Chemical organization, which is bound to influence the price of the shares. As a non-dividend payer in a company which still has some way to go before it can be called fully prosperous, the issue is entirely speculative. But as a long-pull speculation it seems unusually attractive.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Allis-Chal Mfg c...	1%	Q	7-24	8-15
6%	Am Cigar com....	1½%	Q	7-15	8- 1
$4	Am Coal Allegheny	$1.00	Q	7-12	8- 1
4%	Am Lt & Tr com.	1%	Q	7-14	8- 1
4%	Am Lt & Tr c stk	1%	Q	7-14	8- 1
—	Am Malt & Grain.	$1.50	Liq	...	8- 1
6%	Am Soda Fountain	1½%	Q	8- 1	8-15
$7	Am Sugar Ref pfd.	$1.75	Q	9- 1	10- 2
6%	Amoskeag Mfg c..	1½%	Q	7- 7	8- 2
10%	Amoskeag Mfg pf.	2½%	SA	7- 2	8- 2
$8	Borden Co. com...	$4.00	SA	8- 1	8-15
—	Boston Cons Gas..	1½%	ini	7-15	8- 1
$7	Brill J G pfd.....	$1.75	Q	7-22	8- 1
$8	Buckeye Pipe Line	$2.00	Q	8-21	9-15
—	Bur Add Mach stk.	25%	—	7-31	8-15
12½%	Butler Bros.......	3⅛%	Q	7-29	8-15
$6	Calif Packing.....	$1.50	Q	8-31	9-15
—	Calumet & H Min.	$5.00	—	7-22	8- 3
15%	Cities Serv c scrip	1¼%	mo	7-15	8- 1
6%	Cities Serv pf&pf B	½%	mo	7-15	8- 1
6%	Cities Serv c scrip	½%	mo	7-15	8- 1
$7	Clinchfield Coal pfd	$1.75	Q	7-25	8- 1
6%	Consol Ice pfd....	1½%	Q	7-15	7-25
$6	Cuba Railroad pfd.	$3.00	SA	7-20	8-15
4%	Dominion Bridge..	1%	Q	7-31	8-15
7%	Durham Hos pfd..	1¾%	Q	7-28	8- 1
6%	East M St Ry 1st pf	3%	SA	7-25	8- 1
12%	Edison El of Bos.	3%	Q	7-15	8- 1
6%	Elec Bond & Share	1½%	Q	7-17	8- 1
5%	Fajardo Sugar....	1¼%	Q	7-20	8- 1
6%	Gen Cigar com....	1½%	Q	7-22	8- 1
7%	Gen Cigar pfd....	1¾%	Q	8-24	9- 1
7%	Gen Cigar deb pfd.	1¾%	Q	9-25	10- 2
12%	Gillette Razor.....	$3.00	Q	8- 1	9- 1
—	Gillette Razor stk..	5%	—	11- 1	12- 1
7%	Idaho Power pfd..	1¾%	Q	7-15	8- 1
$2	Int Comb Eng....	50c	Q	7-22	7-31
6%	Inter Nickel pfd...	1½%	Q	7-20	8- 1
$4	Kaufman D S com.	$1.00	Q	6-20	8- 1
7%	Kelsey Wheel pfd.	1¾%	Q	7-20	8- 1
8%	Kelly-Spg T 8% pf	2%	Q	8- 1	8-15
$4	Kress S H com...	$1.00	Q	7-20	8- 1
7%	Lima Loco com...	1¾%	Q	8-15	9- 1
—	Lima L pf (4 mos.)	2⅓%	—	8-16	9- 1
7%	Lindsey Light pfd.	1¾%	Q	7-21	8- 1
$2	Martin Parry......	50c	Q	8-15	9- 1
$5	Mass Gas Co com.	1¼%	Q	7-15	8- 1
$1	Mass Lighting com	25c	Q	8- 1	8-21
$10	Montreal Tramways	$2.50	Q	7-21	8- 1
$5	Motor Products...	$1.25	Q	7-20	8- 1
$8	Mullins Body pfd.	$2.00	Q	7-22	8- 5
7%	Nash Chat & St L.	3½%	SA	7-22	8- 1
7%	Nat'l Biscuit pfd..	1¾%	Q	8-17	8-31
$1	New Cornelia Cop.	25c	Q	8- 4	8-31
—	New Niq Sugar c..	7%	—	7-24	7-31
10%	N Y & Hond Ros	2½%	Q	7-15	7-25
6%	Pac Gas & El pfd.	1½%	Q	7-31	8-15
5%	Phila Co pfd......	2½%	SA	8-10	9- 1
$7	Pitts Steel pfd....	$1.75	Q	8-15	9- 1
7%	Producers & Ref pf	1¾%	Q	7-26	8- 7
$8	Pullman Co.......	$2.00	Q	7-31	8-15
$2	Pure Oil com.....	50c	Q	8-15	9- 1
—	Royal D N Y shs.	$2.065	—	7-19	8- 1
$8	St Oil of Ohio pfd	$2.00	Q	7-28	9- 1
$3	Sterling Prod.....	75c	Q	7-18	8- 1
$3	Stewart Warner c.	75c	Q	7-31	8-15
4%	Tren Pot non-c pf	1%	Q	7-20	7-25
$8	Union Oil of Cal..	$2.00	Q	7-10	7-25
—	Union Oil of Cal..	$1.00	Ext	7-10	7-25
60c	United East Min..	15c	Q	7- 8	7-28
$4	U S Glass........	$1.00	Q	7-22	7-29
$8	U S Rubber pfd...	$2.00	Q	7-15	7-31
$8	Woolworth F W..	$2.00	Q	8-10	9- 1
$4	Yellow Cab Co....	33⅓c	mo	7-20	8- 1

UNLISTED UTILITY BOND INDEX

GAS AND ELECTRIC COMPANIES

	Asked Price	Yield
Bronx Gas & Electric Co. First 5s, 1960 (a)	85 bid	6.00
Buffalo General Electric First 5s, 1939 (c)	100	5.00
Canton Electric Co. First 5s, 1937 (b)	94	5.50
Cleveland Electric Ill. Co. 5s, 1939 (b)	99	5.00
Denver Gas & Electric Co. First 5s, 1949 (c)	95	5.35
Duquesne Light Co., Pittsburgh, 7½s, 1936 (b)	107½	6.80
Evansville Gas & Electric Co. First 5s, 1932 (a)	95	5.90
Kansas Elec. Utility First 5s, 1925 (c)	82 bid	10.50
Indianapolis Gas Co. 5s, 1952 (a)	89	5.78
Los Angeles Gas & Electric Gen. 7s, 1931	105	6.30
Louisville Gas & Elec. Ref. 7s, 1932, 1923 (c)	101	5.90
Nevada-Cal. Electric First 7s, 1946 (c)	97	6.24
Oklahoma Gas & Electric Co. First & Ref. 7½s, 1941 (c)	103	7.30
Oklahoma Gas & Electric Co. First Mtge. 5s, 1929 (a)	94	6.05
Peoria Gas Electric 5s, 1923 (a)	99	6.05
Rochester Gas & Electric Corp. Series B 7s, 1946 (b)	107½	6.54
San Diego Cons. G. & El. First Mtge. 5s, 1939 (a)	93	5.60
San Diego Cons. G. & El. First Mtge. Ref. 6s, 1939	93	6.35
Standard Gas & Electric Conv. S. F. 6s, 1926 (b)	96	7.20
Standard Gas & Electric Secured 7½s, 1941 (c)	98	7.65
Syracuse Gas Co. First 5s, 1946 (a)	94	5.32
Twin-State Gas & Electric Ref. 5s, 1953 (c)	80	6.50

POWER COMPANIES

	Asked Price	Yield
Adirondack P. & Lt. First & Ref. 6s, 1950	99½	6.15
Adirondack El. Power Co. First 5s, 1962	95½	5.35
Alabama Power Co. First 5s, 1946 (a)	93	5.50
Appalachian Power Co. First 5s, 1941 (a)	90¾	5.80
Calif. Oregon P. Co. First & Ref. 7½s, Series A, 1941 (c)	104	7.10
Cent. Maine P. Co. First & Gen. Mtge. 7s, Series A. 1941	105	6.55
Cent. Maine Power Co. 5s, 1939 (a)	97	5.18
Cent. Georgia Power Co. First 5s, 1938 (c)	88	6.17
Columbus Power Co. (Georgia) First 5s, 1936 (a)	93	5.80
Colorado Power Co. First 5s, 1953 (c)	90	5.70
Consumers Power Co. (Mich.) 5s, 1936 (a)	95¼	5.60
Electric Dev. of Ontario Co. 5s, 1933 (b)	95	5.60
Great Northern Power Co. First 5s, 1935 (a)	89	6.30
Great West. P. Co. First & Ref. 7s, Series B, 1950 (a)	104	6.67
Great West. P. Co. 5s, 1946 (a)	93	5.50
Hydraulic Power Co. First & Imp. 5s, 1951 (b)	97	5.20
Idaho Power Co. 5s, 1947 (a)	92½	5.60
Kansas City Power & Lt. 8s, 1940 (c)	105½	7.50
Kansas City Power & Lt. First 5s, 1944 (c)	95½	5.37
Laurentide Power Co. First 5s, 1946 (b)	94	5.65
Madison River Power Co. First 5s, 1935	99	5.13
Mississippi River Power Co., First 5s, 1951 (c)	93¼	5.40
Niagara Falls P. Co. First & Cons. Mtge. 6s, 1950 (b)	100	6.00
Ohio Power First & Ref. 7s, 1951 (c)	104	6.65
Penn. Ohio Power & Lt. Notes 8s, 1930 (c)	101	7.80
Potomac Electric Power Gen. 6s, 1923 (c)	102	4.90
Puget Sound Power Co. First 5s, 1933	88	6.55
Salmon River Power First 5s, 1952 (c)	95	5.30
Shawinigan Water & Power Co. First 5s, 1934 (b)	99⅝	5.10
Southern Sierra Power Co. First 6s, 1936 (c)	96	6.37
S. W. Power & Lt. First 5s, 1943 (c)	89	5.90
West Penn. Power Co. First 7s, 1946 (c)	105	6.60

TRACTION COMPANIES

	Asked Price	Yield
Arkansas Valley Ry. L. & P. First & Ref. 7½s, 1931 (b)	100	7.50
American Light & Traction Notes 6s, 1925 (c)	107¼	3.30
Bloomington, Dec. & Champ. Ry. Co. First 5s, 1940 (a)	73	7.80
Danville, Champ. & Decatur 5s, 1938 (a)	85	6.25
Georgia Ry. & Power 5s, 1954 (b)	87½	5.90
Kentucky Traction & Terminal 5s, 1951 (a)	82	6.37
Knoxville Ry. & Light 5s, 1946 (b)	85	6.20
Milwaukee Light, Heat & Traction 5s, 1929 (a)	98	5.30
Milwaukee Elec. Ry. & Light 7s, 1923 (c)	102	4.93
Milwaukee Elec. Ry. & Light 7½s, 1941 (b)	103	7.20
Monongahela Val. Trac. Co. Gen. Mtge. 7s, 1923 (c)	100	7.00
Memphis St. Ry. 5s, 1945 (a)	80	6.70
Northern Ohio Trac. & Lt. 6s, 1926 (c)	99	6.20
Nashville Ry. & Light 5s, 1953 (a)	92	5.50
Portland Ry. P. & L. 1st & Ref. Ser. "A" 7½s, '46 (c)	103½	7.25
Topeka Ry. & Light Ref. 5s, 1933 (c)	85	6.80
Tri-City Ry. & Light 5s, 1930 (c)	91	6.25
United Light & Rys. Ref. 5s, 1932 (c)	84½	7.25
United Light & Rys. Notes 8s, 1930 (c)	104	7.05

TELEPHONE AND TELEGRAPH COMPANIES

	Asked Price	Yield
American Tel. & Tel. 5-Year 6s, 1924 (c)	101½	5.15
Bell Tel. Co. of Canada 1st 5s, 1925 (b)	96¼	6.50
Bell Tel. Co. of Canada 1st 7s, 1925 (b)	104	5.63
Bell Tel. Co. of Pa. 1st Refund. 7s, 1945 (c)	109	6.10
Chesapeake & Potomac Tel. Co. Va. 1st 5s, 1943 (c)	95	5.30
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936 (c)	95	5.52
Western Tel. & Tel. Co. Coll. Trust 5s, 1932 (b)	97	5.35

* Investors should note that the "asked" price on a bond may vary from 1 to 5 points from the "bid," depending upon the activity of the security.

STANDARD GAS & ELECTRIC

Issues Show Good Yield—The 7½s of 1914 Can Be Purchased Below Par

SEVERAL of the Standard Gas & Electric Co. bond issues are now selling at levels which appear to make them very attractive, especially the 7½s of 1941 which show a yield of better than 7.50% and at the same time afford a long-term maturity. This issue is redeemable at 107½ up to 1926 and thereafter for ½% less for each succeeding year. Only recently offerings at below par were in the market but even around par or a fraction higher purchase shows a good yield on the investment. There is only $3,475,000 of the issue outstanding and mortgage is closed. Bonds are secured by deposit of securities which are given an appraised value in excess of $8,000,000.

For a short-term investment, the 6% gold 6s due December, 1926, appear very attractive. Selling around 96, if held to maturity (four years away) the bonds show a yield of 7.20%. Issue is subject to call at 105.

Standard Gas & Electric Co. is a holding company principally. Its subsidiary companies this year are showing good increases in earnings in line with the general improvement in the situation.

Milwaukee Electric Ry. & Lt.

While bonds of traction companies have not yet come back into favor to any great extent, conditions are rapidly improving and many investors are anticipating a better sentiment in their favor. Milwaukee Electric Railway & Light Co., part traction, is controlled by Wisconsin Edison Co. Company does street-railway service and central-station lighting system, also steam-heating service in Milwaukee.

The 7½s, due 1941, at present selling at 103, should be attractive and a yield of 7.20% is given at this price. Company has a good record and in 1921 interest charges were earned more than twice over. Issue will probably fluctuate but little on account of call privilege which is at 102½ up to June 1923, 103½ a year later and up to 107½ June 1926 while thereafter call price recedes.

COMMON STOCKS THAT ARE CLOSE TO DIVIDENDS

(Continued from page 519)

that it may be put into effect later on. **The stock has good long-pull possibilities.**

U. S. Realty

United States Realty & Improvement for the year ended April 30, 1922, reported earnings equal to 16.73% on the common, as against 15.39% the previous year. As a result of these favorable earnings company is now in sound financial condition and able to resume dividends at any time. **At present price of 70 the stock has discounted a 5% dividend. The condition of the company has never been in as sound a position as at the present time.**

FOREIGN TRADE AND SECURITIES

(*Continued from page* 501)

Earnings for 1921 showed a considerable falling off from the high mark of 1920 but the company is presently running at close to 75% better than the 1921 production and is enjoying an excellent and continually improving market.

While the former 8% dividend was just earned in 1921 it was considered advisable to conserve resources and the rate was reduced to 6% in April. With the continually improving paper market it is only a question of a short time before the 8% dividend shall be restored. The stock has not, up to the present, enjoyed a very wide market, as it has been closely held. Much improvement has lately been seen in this regard and as the issues have just been listed on the London Exchange, a much better market is looked for. The low on this stock was 60 at the time of the dividend reduction and the advance of 9 points is moderate. **At 69 with a 6% dividend it appears far more attractive than either American Writing Paper Preferred or International Paper, both of which would appear to be far distant from the dividend stage.**

With electric, gas and lighting companies in the U. S. selling at daily higher figures the stock of the Ottawa Light, Heat and Power Company would appear decidedly attractive to the investor and speculator alike.

This company is moderately capitalized at $5,000,000 of common stock, of which $3,500,000 is outstanding, and $6,000,000 bonds, of which only $1,200,000 is outstanding, due in 1940, with a sinking fund of 2% of the largest aggregate principal amount of bonds outstanding, including bonds previously retired, plus an amount equal to the interest which would have been payable on all bonds previously retired by the sinking fund operation of the S. F., commencing in October, 1924.

This stock has always been highly regarded by investors and sold as high as 192 in January, 1913. Heavy costs of operation during the war cut down earnings from a net of 13.14 in 1913 to a net of 6.12 in 1920. With the improvement in operation conditions in 1921 net rose to over 9.5%, while earnings for the first three months of 1922 are estimated at between 10% and 12%. **At the present price of 86 this stock is exceedingly cheap and a higher price is considered likely within a short time owing to increasing earnings combined with possibilities of a bonus or an increased dividend.** Should an increase not eventuate this stock at 86 returns close to 7% with only a moderate bond issue and no preferred stock ahead of it.

Other attractive issues listed in Montreal at the present time which merit consideration are the textiles, including Bell Telephone at 110, paying 8%, a rate which is practically guaranteed by the Railway Commissioners, and Canadian Converters which handles the Van Huesen Collar in Canada and at $83 a share pays 7%.

Montreal Tramways, whose dividend of 10% is fixed by the Tramways Commission, and granted rates which will enable the company to reach this figure, is selling at 150 and valuable rights are expected on this stock which will make for much higher figures.

The increase in the price of newsprint to $75.00 a ton by the International Paper Company, with an $80.00 figure in prospect at no very distant time, is a very decided bullish development for the Canadian newsprint companies. While it will have no immediate effect, inasmuch as practically all the important Canadian mills, except Spanish and Abitibi, are running on a yearly contract basis at $70.00 a ton, the importance of this decision lies in the fact that the trend of paper prices is now definitely upward.

When this price revision takes place in Canada the effect on the earnings of the larger producers will be most marked. Thus in the case of Spanish River the increased revenue which will accrue will amount to no less than $1,000,000 a year or 6% on both the Preferred and Common stocks, while in the case of Abitibi the gain will amount to $700,000 or about $3.00 a share on the Common stock. The fact that the contract price of $70.00 expired nominally on June 30th for both the companies indicates a possible increase at any moment.

Lastly the real value of some of the better gold mining stocks is only faintly realized and the fact that the April figures of the Dome Mines show earnings of approximately 100% and net of over 43%, with the virtual certainty of not less than 20% and possibly 30% or 40% dividends for the stock during the next twelve months, warrants considerably higher prices. While Hollinger is in many respects an investment, the small capitalization of Dome makes it more attractive for profits while its probable life appears quite as likely to be as long as that of Hollinger.

Latest plans with regard to Dome Mines indicate the building of an entirely new milling plant rather than an addition to the older one. It is probable then that in from twelve to eighteen months the Dome will have two milling plants with a capacity of close to 4,000 tons a day. With present net earnings running well over 40%, it is probable that an increase of over 100% in net may be expected shortly after the new mill comes into operation. As greater depth is secured, higher values, added to expansion of ore bodies, indicates a mine which daily grows in value and in probabilities of longevity.

Omitting the higher-priced stocks, a "balanced ration" of stocks which should show the greatest speculative possibilities combined with a reasonable degree of safety would suggest the following: Ottawa Light, Heat & Power, Spanish River Common and Preferred, Steel Company of Canada, Howard Smith and St. Lawrence Flour.

IS LABOR RIGHT?

(*Continued from page* 493)

in striking was justified in the light of previous violations of the Labor Board's decision by the carriers is specious and unworthy. The carriers have never conspired together to deny transportation service to the people of the country in order to attain their selfish ends. Furthermore, public opinion has almost unanimously asserted itself in condemnation of railroad management wherever it has appeared to defy the clear intention of the Transportation Act, and the public may be relied upon to correct by the orderly processes of law any such breaches of its official edicts.

The public likewise has determined that the cost of fuel must be reduced from the inflated level to which it was carried by the circumstances of war. The miners not only refused to cooperate in such a reduction, but in the case of the anthracite workers at least, insisted upon the payment of a wage considerably in excess of the previous peak level.

The claim of the striking miners that the mine owners are enjoying unreasonable profits from the operations of their properties is a sound argument for the reduction of those profits if they are in fact found to exist, but it clearly does not constitute a valid reason for the failure of the miners to conform to the requirements of the general economic readjustment which is now taking place throughout the world. The bituminous coal business is conducted under conditions of keenest business competition. Any profits which accrue to the owners are narrowly limited by the inexorable law of supply and demand. With regard to the anthracite mines there is a strong public effort under way to compel their owners to show the justification of present prices, and there is likewise promising evidence of their disposition to cooperate to that end.

Organized labor could never have attained its present development in this country had it not been for the sympathetic support which was generally accorded it by the public during the period of its infancy and subsequent growth. Having reached with this assistance a position of comparative strength in numbers and resources, it is now attempting to seize the authority of the people for its own purposes and to the detriment of those to whom it owes its very existence.

Murder, arson and the indiscriminate destruction of property have become its common instruments in impressing its will upon the citizens of this nation and even though responsibility for the crimes of its members is denied, there is always lacking the attitude of stern condemnation and investigation which a sincere purpose would be expected to manifest.

Strikes such as these in the coal and railroad industries constitute a serious challenge to the people of this nation calling for the application of the necessary means of restraint to all organized bodies which deny the right of the majority to impress its will upon the minority at all times.

Over-the-Counter

IMPORTANT ISSUES
Quotations as of Recent Date

Aeolian-Weber	..	— 15
Pfd.	30	— 60
American Piano	66	— 73
Pfd.	81	— 86
American Type Founders	52	— 56
Atlas Portland Cement	58	— 64
Babcock & Wilcox	114	—117
Borden Co.	106	—108
Bucyrus, pfd.	93	— 98
Celluloid Co.	90	—100
Childs Co.	110	—115
Crocker Wheeler	50	— 60
Jos. Dixon Crucible	134	—138
Gillette Safety Razor Co.	*223	—226
Ingersoll-Rand	154	—160
H. W. Johns-Manville	430	— ..
New Jersey Zinc	143	—145
Niles-Bement-Pond	47	— 49
Phelps-Dodge Corp'n	160	—165
Royal Baking Powder	105	—110
Savannah Sugar	45	— 49
Pfd.	90	— 93
Singer Mfg. Co.	93	— 95
Stetson (John B.)	320	— ..
Thompson-Starrett	58	— ..
Ward Baking Co.	107	—114
Yale & Towne Mfg.	305	—315

* Listed on N. Y. Curb Exchange.

Savannah Sugar Refining Corporation

An Unusual Investment Opportunity

SAVANNAH SUGAR, although little known to the investing public, is well known and highly respected in the trade. It is an Oxnard enterprise—which is to say, the famous Oxnard family is represented in the management—and although only comparatively recently formed is evidently strongly intrenched as a considerable factor in the sugar world.

Savannah Sugar was organized in 1916. It has a refinery, of 1,500,000 lbs. daily capacity, at Port Wentworth, near Savannah and a factory whose site covers nearly 80 acres about 5 miles north of Savannah on the Savannah River, where dock facilities are owned.

The company does not file income accounts. Therefore, any attempt to gauge its earning capacity is handicapped at the start. The company does publish balance sheets, however, and from an inspection of these an impression of stability and considerable financial strength is obtained. Of particular moment is the strong asset position shown at the end of December 31, last, and recorded in the thousands of dollars, in the following table:

Year	Current Assets	Current Liabilities	Working Capital
1918	$ 786	$ 513	$273
1919	2,388	1,899	489
1920	2,722	2,411	311
1921	1,759	1,035	724

The company's prospects, like that of all the well-established sugar concerns, have been very considerably improved in recent months due to the remarkable change for the better in the industry. Here is the situation, as tersely described by the Domestic Sugar Producers, Inc.:

"The outlook on January 1 was that sugar would be available to the United States from these sources (Cuba, Hawaii, Porto Rico and the Philippines) to the extent of 600,000 tons a month throughout the year, and the country actually has been taking sugar in excess of this rate, including the amount re-exported. From July 1, however, there is in sight for the remaining six months of the year only 1,750,000 tons, or at the rate of about 275,000 tons a month, which is less than the consumption for the corresponding period in any recent year. Including stocks on hand in the United States July 1, the total available supply from the sources indicated will remain less than 2,100,000 long tons, or less than 300,000 tons a month.

"Recognition in trade circles of this radical change in the supply situation is responsible for the market's display of strength and the rapid rise of prices. It means that sugar production is back on a stable and profitable basis much earlier than could have been anticipated six months ago, and that it gives every promise of continued activity and sustained prosperity for the next several seasons at least."

That Savannah Sugar has profited from the industrial improvement is demonstrated by the fact that dividends on the preferred stock, which had been halted in the fall of 1920, were resumed this spring. At the time, President Oxnard said that, in his opinion, the company would be well able to maintain dividends from then on.

Recent development, aside from the improvement in the industry and the resumption of dividends on the preferred stock, have all been favorable to Savannah Sugar. Thus, it has won two suits calling for payment on sugars sold to buyers in 1920; also, a large Cuban contract has been closed which should add materially to the company's returns. Bank loans of the company were reduced materially last year, and the company has built up a considerable cash fund.

Savannah Sugar has no funded debt. Its capitalization consists of a small issue ($2,750,000) of preferred stock and an authorized 49,500 shares of common, of which 27,500 are outstanding. The preferred is a 7% cumulative issue, callable at 110. At the close of 1921, there was an accumulation of 25.08% in back dividends due on the issue. It is now receiving the regular quarterly rate of 1¾%.

The preferred is quoted in the over-the-counter market around $90 per share, at which price it offers a yield of 7.77%. In view of the company's good trade position, improving earning power and better prospects, there seems no little likelihood that arrears will be taken care of in due time. This department believes the preferred can be bought for a long-time investment with considerable confidence.

WESTERN UNION TELEGRAPH CO.

(*Continued from page* 530)

ago for laying of a cable from New York to the Azores and from there to Emden, Germany. Company has been fighting for over two years for privilege of having its cables extend to the east coast of South America.

The projected German cable practically duplicates one recently announced by the Commercial Cable-Postal Telegraph system, and no doubt anticipates a large amount of business to come out of Germany with a revival of business. The German government-owned system will distribute messages throughout northern Europe.

While American Telephone & Telegraph Co. a few years ago had to relinquish its holdings in Western Union on order of the United States courts, the closest relations are still maintained between the companies in addition with the Western Electric Co. which does a great part of the research work and manufactures its working materials.

Conclusion

Earnings for the first half of this year indicate that the company is assured of a good year. There is little fear of any new financing coming out which might have a depressing effect on the issue, as last year an issue of bonds was put out which reimbursed it for capital expenditures already made and provided ample working capital. This was first financing done since 1907.

Western Union stock (there is only one class of stock) is now selling around 102 and at this price a yield of 6.68% is shown annually. While the stock has never fluctuated to any great extent, it would appear to have good chances of going to higher prices this year. The yield of close to 7% is still high on the basis of what issues of many other companies are showing.

ADAMS EXPRESS CO.

(*Continued from page* 531)

good earnings for American Railway Express Co. stock were assured.

Improvement in business conditions is also helping the operating company to a large extent. Of course, this would not be directly reflected in Adams Express earnings or those of the two other large holders of the operating company's stock, but might be indirectly if dividends were increased.

Summing up the whole situation, Adams now seems to be emerging from a situation brought about through no fault of its own, and while earnings may be more or less stabilized, this has the advantage of giving it a better basis for getting back an investment issue.

That the stock was highly regarded a few years ago is indicated by the fact that fifteen years ago it sold above 300, and only five years ago prior to taking over of operations by the Government its average price was well above 100.

As rated by THE MAGAZINE OF WALL STREET, maximum rating of 30 points on total counts, Adams Express has the following status:

		Rating No.
(1) Character	Good	4
(2) Past Record	Good	4
(3) Future Possibilities	Good	4
(4) Management	Excellent	5
(5) Financial Strength	Good	4
(6) Earning Power	Good	4
Total Points		25

Conclusion

Adams Express Co. capital stock selling on the New York stock exchange is still in the lower sixties and a short while ago was up to 69. Stock should constitute a good speculation at present levels. With the market for public utility stocks moving upward, a $6 annual dividend would probably result in the stock at higher levels.

INTERNATIONAL AND GREAT NORTHERN RAILWAY

(*Continued from page* 513)

Based on estimated gross annual earnings for the International & Great Northern ranging between $19,000,000 and $20,000,000 for the next few years, and an operating ratio of 76%, Mr. J. W. Kendric, who undertook for the reorganization managers a thorough examination of the property, comes to the conclusion that the net income available for interest and dividends should be in excess of $3,000,000 per annum. He deems it practicable to operate the road for not to exceed 76% of its gross revenues, provided his recommendations with respect to operation and management are adopted, and, of course, if the future bears out these encouraging estimates the Adjustments 6s are an unprecedented bargain at their current price of 52, for in this event even the total contingent charges will be earned almost twice over and the full 6% will of necessity have to be paid.

Although these estimates for the next few years appear overly sanguine, that such a favorable showing can ultimately be attained provided the work of improving the physical condition is prosecuted with sufficient zeal, can hardly be denied. In 1913, the last really normal year, earnings applicable to interest charges were $1,579,000, while for the year ending December 31, 1917, a period of great prosperity in the cotton belt, they rose to $3,257,000. With a general revival of business in the south and the restoration of stable conditions in Mexico, upon which latter factor much of the road's traffic depends, the eventual realization of these predictions is not improbable.

Conclusion

Possibilities and probabilities are one thing, and in speaking of the future it is

in them that we are forced to deal, while actualities come under an entirely different category. Yet, anticipating events as best we can, the new First Mortgage 6s seem to offer a comparatively safe investment; and any statement as to safety is necessarily comparative; at a yield in excess of 6.20%, which may be considered liberal. The Adjustment 6s, on the other hand, in which the possibilities of appreciation are naturally much greater because of the additional risk assumed, represent a security which cannot conceivably be placed upon an investment basis for many years to come. Nevertheless, speaking conservatively, the contemplated economies in operation should produce at no distant date sufficient earnings to cover their interest requirements. A substantial improvement in their market position is to be expected, and at their present level around 52 they appear to offer an excellent speculative opportunity.

The New Common Stock

The new common stock of the International & Great Northern, of which there are to be issued 75,000 shares of $100 par value, cannot be regarded as an advisable purchase at its present price of 24, for there is very little actual value behind it, and a real equity applicable to it can only be established by putting earnings back into the property over a long period of time. Because of the relatively small amount to be outstanding it may ultimately be entitled to a better rating, but unless one has a reasonably long expectancy of life he may never live to see it.

WHAT HAS HARDING DONE?

(*Continued from page* 489)

with them. Republican administration has brought all the war bonds to par or better. Confronted, as the result of preceding causes, with the greatest business depression and the most extensive unemployment in a generation, it has restored business to normal and provided work for virtually every person who wants it. We have made a great advance toward universal peace and the abolition of war by the treaties adopted by the Arms-Conference called by President Harding, to say nothing of relieving ourselves and the world of the crushing burden of stupendous armaments; and the naval scrapping act embodies the beginnings of a great reduction of expenditures for wars that may never come. Already we have reduced naval and military appropriations by $215,000,000. We extended liberal aid to the starving people of a region of Russia. We have clarified the control of international cables. We have near to completion a general revision of the tariff schedules for the protection of American labor and industry.

Our legislation has been comprehensive and judicious. Republican administration has been able and competent, and when we consider the situation we inherited it shows remarkable achievements. Out of the depths of depression left by the war we have brought the Nation back upon the paths of prosperity and hope. The estate of no other nation in the world is comparable with ours today.

BUSINESS AWAITING NEW DEVELOPMENTS

(*Continued from page* 502)

lines. True, the season's lowest price for wheat has been reached during the month, but this, as comparison with former years shows, is a usual summer phenomenon. The indications favor a reasonably good price for most classes of farm products so that the farmer himself may confidently count upon a fair return for his season's labors. Realization on some of the minor crops which are moving steadily to market, and the early sales of staples—in some parts of the country—are helping local trade very greatly, and one result has been to cause a great brightening of retail values in the farming districts. The activity of debits to individual account indicated by the current figures of over $38,000,000,000 and illustrated in the accompanying diagram is a reflection of this strong trade demand.

Foreign Conditions Unsettled

It remains true, as so often in recent months, that a chief source of anxiety is to be found in the foreign outlook. The month's developments in the German situation have been anything but encouraging, although conditions at the close of the period now certainly look better than they did at the middle of the month, when the mark was quoted down to a point little above 18/100 of 1 cent. Some limited and temporary concessions, made by France in the reparations matter, seem to promise a more conciliatory point of view on the part of that country, and the impending conferences between the premiers of France and England, suggest the prospect of an understanding on the part of the two countries, possibly embracing not only reparations but also other international debt questions. Meantime the continued influx of gold into the United States testifies to the unsettled condition of our international balances, and the lack of any satisfacory means of making payment. Some revival of business in various foreign countries has caused demand for our goods in larger volume; but, in spite of their relative success in disposing of securities in this market during the past few months, the balance of trade and the apparent effort of one or two countries to accumulate dollar credits as a basis for interest payments has resulted in keeping up the inward gold movement though its injurious character is fully recognized by expert observers. The rectification of foreign conditions has been again deferred by reason of the unsatisfactory outcome both at Genoa and at the Hague, and full recovery in the United States cannot of course be expected until there has been decided improvement. The graph showing export balances in our favor amounting to $74,000,000 at the latest available date has, at this time, little significance from the standpoint of general trade conditions, these being too complex

to admit of summarization in diagram form.

As might be expected, the mixed character of current events has reacted upon stock market conditions, values in many branches (despite cheap call and time money) being unsettled as reflected in the charts showing stock quotations. On the whole market values, particularly those of bonds have held remarkably well. From these facts, the conclusion clearly to be drawn is that the underlying influences now making toward prosperity must be regarded as being much superior in influence to the temporary factors reflected in the rail and coal strikes. With the latter out of the way, domestic prosperity would seemingly continue its advance under the combined influence of sound and strong banking and credit conditions, active production, good domestic consumption, and full employment.

INTERNATIONAL NICKEL CO.

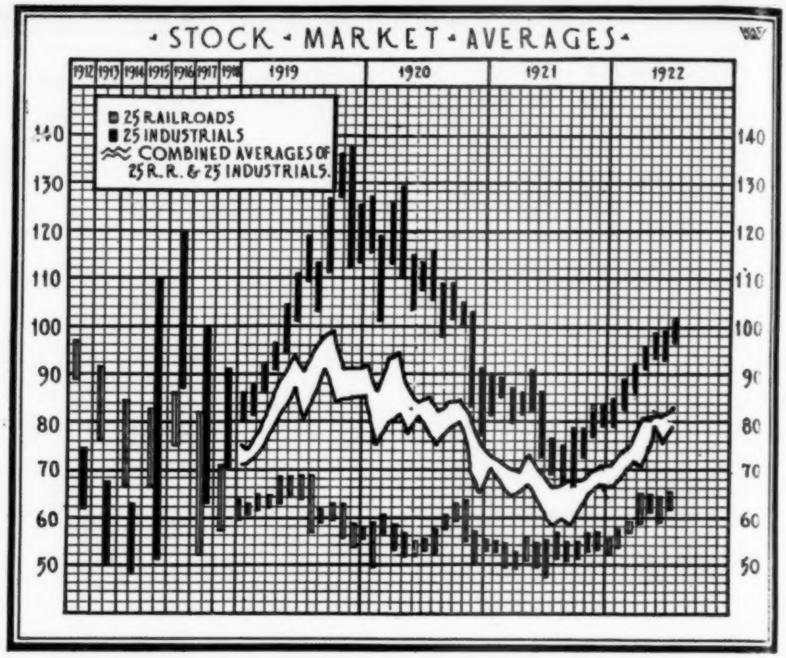
(Continued from page 535)

Both inquiries and sales increased. Substantial liquidation of unsold metal has been accomplished, and the Port Colborne refinery was started on May 1st, 1922. Should this condition continue to improve, operations will be resumed at the Creighton Mine and the Copper Cliff smelter some time in September.

The company's copper-nickel properties include about 18,000 acres, mostly on the south range of the Sudbury nickel belt. The bulk of production has been obtained from the Creighton and Cream Hill mines, 8 and 19 miles from Copper Cliff, Ontario. The ore of the Creighton Mine is massive sulphite, mostly chalcopyrite, tyrrhocite and pentlandite, and as smelted in the company's plant at Copper Cliff, yields the natural alloy of copper and nickel which has been named Monel metal in honor of one of its former officers and directors, A. Monell. The total developed ore reserves are estimated at 20,000,000 tons. The Creighton Mine, which contains what is probably the greatest copper-nickel deposit in the world, is opened by three inclined shafts, with a vertical depth of 1,000 ft. The mine is developed to the 12th and partly developed to the 16th level. The entire output is handled through No. 3 shaft, No. 2 shaft being used for handling men and supplies only. Tramming on the main levels is by electric locomotive, with four-ton cars. The underground and surface equipment is of the best. All buildings are of concrete, steel and brick, fireproof construction.

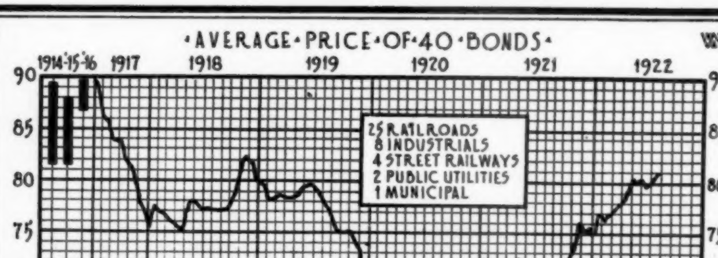
The accompanying statistical table sets forth the record of the company during the past several years, with regard to earnings and dividends.

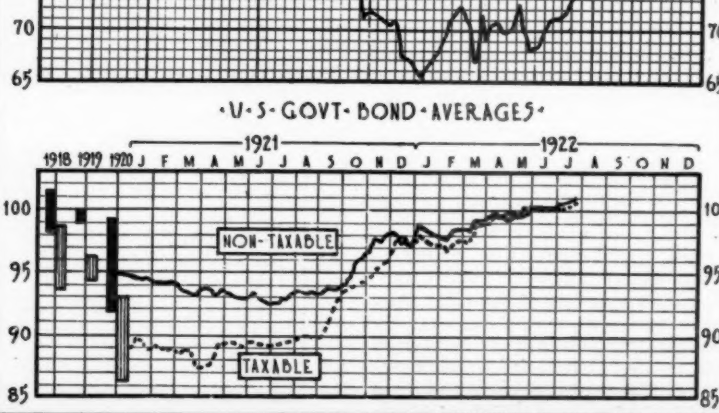
The market action of the stock during the past few months indicates reestablished confidence in the company's future earning ability, and supplies evidence of gradual accumulation of both common and preferred shares for anticipated speculative profits.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y.Times 50 Stocks High	N.Y.Times 50 Stocks Low	Sales
Monday, July 17.........	80.96	95.26	86.55	81.94	81.12	480,410
Tuesday, July 18.........	81.03	96.53	86.50	82.70	81.59	651,950
Wednesday, July 19......	81.13	96.69	86.82	83.26	82.20	797.768
Thursday, July 20........	81.15	96.76	86.60	83.20	82.31	677,955
Friday, July 21...........	81.22	96.13	86.49	82.89	81.81	608,808
Saturday, July 22.........	81.16	95.78	86.41	82.33	81.83	279,500
Monday, July 24.........	81.15	94.64	85.63	82.20	84.84	837,460
Tuesday, July 25.........	81.14	95.69	86.14	82.03	80.87	696,860
Wednesday, July 26......	81.08	94.84	85.59	82.16	80.81	715,926
Thursday, July 27........	80.96	96.36	87.63	82.92	81.15	685,740
Friday, July 28...........	81.10	96.69	87.70	83.80	82.12	758,513
Saturday, July 29.........	81.17	96.83	88.21	83.61	82.04	268,420





TRADE TENDENCIES

(*Continued from page* 505)

avoid a temporary setback. In fact, it is somewhat doubtful whether mining operations could even now be resumed in time to avoid some further curtailment.

Admitting the serious possibilities of the present situation, it would, nevertheless, hardly be advisable to take too pessimistic a view, since the strike situations must approach a crisis bordering on dislocation of business before the fundamental condition of the steel and iron industry is likely to be altered. While the strikes are to be greatly regretted it seems reasonable to suppose that they will be settled before too great damage is done, and while the effect will thus be to merely postpone further improvement, the chances are that production figures will show some falling off.

Prices appear to have become stable around current levels and no material change in quotations is likely to be witnessed. As with production, the immediate course of both demand and prices is made uncertain by the various possibilities for continuation or settlement of the existing strikes. There is also the further possibility that success of the workers in gaining their ends might be followed by disturbances in other directions, with their attendant effects.

Earnings statements for the second quarter, so far as they have become available, reflect the betterment in the industry which had begun to develop. Continued favorable results in the third quarter are problematical as conditions now stand, but, as previously stated, improvement can only be postponed by the strikes unless a serious crisis develops.

SHIPPING

Still Depressed

The immediate outlook for revival of the shipping industry cannot be said to be favorable; on the contrary, recent developments have been discouraging and there seems to be little hope for improvement for some months at least. Some slowing down of traffic is normally to be expected during the summer months with a resultant easier rate tendency, but present dullness is not to be explained solely by seasonal variations in freight movement.

The solution of the shipping difficulty appears to lie almost entirely in a revival of international trade. Whereas it was estimated that approximately one-sixth of the world's ships were idle some months ago, it is probable that the percentage tied up at the present time is considerably higher than that. The amount of tonnage offered is so largely in excess of the volume of cargoes to be moved that intense competition has developed, reaching a point where individual owners have, in practically all cases, withdrawn

from the rate regulating conference in order to protect themselves.

With the breaking up of the conferences ocean freight rates have declined to even lower levels than were witnessed last year. Several attempts have been made to reorganize the conferences, but without success, and it is quite likely that freight charges will show further weakness. Some improvement in the latter part of the year may be expected after the export movement of crops gets fairly started, particularly since the current outlook favors a satisfactory yield of all grains and a generally larger demand for European needs this year.

As intimated above, however, the real turn can only be expected to come with a spurt in world trade which will lift the shipping world out of inactivity by creating a demand for cargo space sufficiently large to absorb the present excess tonnage. This demand must be great enough to establish competition for space before rates may be expected to yield a fair margin over costs. Under present condition it is a foregone conclusion that most vessels are being operated at a loss.

MACHINERY

Prospect Generally Good

Current demand for machine tools and shop equipment has turned dull in consequence of seasonal inactivity. Previous to this, the market was generally quite active, although orders were largely for single units. The potential demand is still of large proportions, however, as the railroads and mills have not been buying at a rate proportionate to their needs. Furthermore, industrial revival has compelled most manufacturers to withdraw offers of second-hand machinery because of the need for maintaining plant facilities in the face of renewed activity. The result has been to create a scarcity of second-hand material and the market for new machinery was stimulated accordingly before summer dullness overtook it.

Manufacturers of electrical equipment have been feeling the effects of resumption of building by the electric light and power companies which, in turn, is induced by ability to again finance construction through the sale of securities at reasonable rates of interest. The need for extensions and additions to plants has developed urgency as a consequence of deferred activity during the last four or five years, and it is stated that this year will witness an addition to generator capacity which will reach the largest total in the history of the electrical industry.

The outlook for the railway equipment companies is likewise very promising. Freight cars ordered in the first six months of the year totaled 103,000, which was approximately 200% of the total for all of 1921. Replacement of worn out equipment and the probabilities for heavy traffic in the final half of this year point to a continuation of large orders for rolling stock. Prospects for large crops, an accentuated movement of coal, when mining is finally resumed, and increased traffic in merhandise are potential factors

sustaining a belief that railroad traffic will be heavy.

After two years of restricted purchasing power in the agricultural regions, farm machinery has been badly run down. The farmer should, therefore, be in the market for new farm implements of all kinds after the season's crops are in.

PUBLIC UTILITIES

Future Bright

The public utility companies suffered severely from economic disturbances caused by the war, as is well known. Rising costs of materials and supplies and high wages, on the one hand, were not offset by equitable rates on the other. Furthermore, the excessive cost of financing additions to existing plants prevented new undertakings, in spite of continued heavy demands for service.

Happily these conditions are matters of the past. Public utility commissions have adopted a more liberal attitude, and it is generally recognized that these companies are entitled to earn a fair return on their investments. Rates have been adjusted to changed conditions and it is probable that the existing structure will stand for some time. Steadily declining costs of materials and more reasonable wage scales have been reflected in reduced operating expenses with the result that earnings reflect the greatly improved status of the industry.

Fixing rates to yield a fair return with changing conditions has done much to restore the credit of the public utility companies and easier money tendencies have enabled them to go ahead with the extensions and additions to plants so urgently needed after nearly five years of restricted activity. It is estimated that the electric light and power companies will spend some $325,000,000 during the current year on new construction work, while the added generator capacity which will be installed is expected to reach the largest total of any year in the history of these companies.

The central station and gas companies have enjoyed a period of remarkable growth in the past twenty years or more and the demand for service has shown an almost uninterrupted increase. With the steady normal growth of population and industrial expansion, the long term outlook for further increases in output of gas and electricity is decidedly promising. Meanwhile, the boom in residential building in the last year or so is an important factor in the immediate demand for service, while industrial revival portends still further increases.

All things considered, the prospects of electric light and power and gas companies are bright not only for the future but also for a long period. So far as the telephone companies are concerned, there is little doubt as to the course of their business. The tractions are the weakest members of the public utility group. The outlook for these is affected largely by local conditions in the communities where they operate. But even they are now destined for better things.

LOOKING INTO THE CHICAGO MARKET

(Continued from page 521)

its under stable trade conditions. Furthermore, its loss last year was small by comparison with the records of other companies in similar fields.

Continental's manufacturing facilities are composed of two well-equipped plants, one at Muskegon, Michigan, the other at Detroit. Capacity of the plants has been considerably enlarged: The company can now turn out over 200,000 engines a year, as compared with a capacity of about 160,000 four years ago. Its customers include many of the most prominent auto manufacturers, recent equipment having been turned out for Paige-Detroit, William C. Durant, Jordan Motors, and a number of others. Under normal conditions, the J. I. Case Threshing Machine Co. is a large user of Continental's "Red Seal" motors. Federal Motor Trucks and other truck manufacturers are also in the list.

Readjustment in Continental Motors was accomplished through rigorous retrenchment. The company's inventories were scaled down by $2,750,000, including a write-off of over $900,000 to conform with price declines. But despite this readjustment signs are not visible of any fundamental impairment of the financial structure; indeed, the company ended the year more strongly equipped than previously with cash despite a reduction of more than $1,400,000 in current liabilities.

Under conditions existing since the beginning of the year, the company has made considerable progress toward recovery. Its motor-truck sales are understood to have been particularly good—a natural development in view of the upturn in this branch—and the whole organization has been strengthened by the opening up of service stations for the sale of Red Seal motor parts.

Continental's capitalization includes:

	No. Shares Outstanding
7% Cum. Pfd. (par $100)....	21,007
Common (par $10)...........	146,072

In addition there is outstanding an issue of $4,500,000 7% gold notes, due $750,000 April 1, 1923; $750,000 April 1, 1924, and $3,000,000 April 1, 1925.

In view of the strong financial position of the company, its large facilities and excellent trade name, the opinion seems warranted that the results in 1922 will be substantially better than last year, and at least a small balance will be earned on the common shares. Ignoring rumors that the company is likely to figure in a large new automobile merger, Continental appears well able to take care of itself and should forge steadily ahead.

The common shares sell around $8 (par $10) as compared with a recent low around $5 on the Chicago board. For those in a position to wait for dividends, they appear to be a reasonably attractive speculation.

THE QUAKER OATS COMPANY

Speedily Readjusted After Sharp Depression—Earnings Last Year at High Level—A High-Grade Investment

Quaker Oats, one of the old-established food-brand manufacturers of America, followed along with the rest of the commercial world in 1920, reporting a deficit from operations for the year. By so doing, the company made itself in no way conspicuous.

In the following year (1921), however, Quaker Oats shot out ahead of the procession and aroused no little envy by showing a substantial profit from operations. The achievement was the more remarkable in that the rest of the industrial world faced its chief difficulty in 1921, most of the manufacturing companies showing far worse results then than in 1920.

Quaker Oats felt deflation most in its inventory account. Like the rest of the commercial world, it had carried heavy supplies of raw materials into the year and was also well stocked with goods ready for market. When the break came, it was nowhere more pronounced than in the raw food markets, declines in corn, wheat and oats being more spectacular than ever before or than they seem like to ever be again.

The Quaker Oats management looked at the worst side of the situation and made no allowances for a probable trade recovery. The value of its holdings was reduced to the absolute minimum. At the close of 1920, the books showed more than $5,000,000 written off against inventory declines, as well as over $605,000 to account of depreciation. Combined with dividend disbursements (that had been ordered before the crash could be foreseen) the total deductions from surplus amounted to slightly over $8,000,000, leaving the company with a surplus of $1,263,162 "on which to build again," as President Crowell expressed it, contrasting with a previous surplus of well over eleven million dollars.

Although a gradual turn for the better developed well into 1921, there was no change in the management's evident determination to restore the company's finances to a bedrock basis. Dividends were halted on the common shares. Inventories were pared down by an additional $6,000,000 for the year.

The Quaker Oats idea, which might be paraphrased, "the way to deflate is *to deflate*," had its inevitable effect. While other concerns were still figuring how little they could charge off and still pull through, Quaker Oats was in a position to go through 1921 revitalized and thoroughly prepared for the absolute worst. The "worst" proving to have been a thing of the past, the company was able to make large profits, instead of loss for the year—large enough to reduce its current debt by over $10,000,000 and leave a balance of over $13 per share earned for the common.

Today, Quaker Oats common is again on an 8% dividend basis, and appeals to the writer as one of the most conservative common stock investments to be had on any market. The company manufac-

ures a standard food-brand, for which here should be a lasting market; under normally good conditions it has proven its ability to return excellent earnings, and under abnormally bad conditions the management has proven resourceful and competent to an unusual degree.

The market evidently shares the writer's opinion, since Quaker Oats common s selling around $180 per share, to yield nly 4.44%. At that price, it seems out of ine with the company's 6% preferred hares, which sell around 98, to yield over 6%.

The probability that a continued uptrend in Quaker Oats earnings will eventually lead to an extra disbursement on the common might be advanced as making that issue more attractive than the preferred at present prices. However, that is dealing in uncertainties. Based on what is known now, the comparative prices of the issues suggest that the better investment opportunity lies in the preferred which seems fully entitled to its present market price and might well work a few points higher.

(Stewart Warner, Union Carbide, Wm. Wrigley and Standard Gas will be analyzed in a later issue.)

Securities Analyzed in This Issue

READERS' ROUND TABLE

(*Continued from page* 539)

the first cost of the road itself in that section. In other words, the investment is doubled.

Mr. Preston refers to the best investment the New York Central ever made being the electrification out of the Grand Central Station, and it is quite probable that all of the railroads in the country would electrify tomorrow if New York City's most fashionable street could be built over their tracks and apartment houses produced such as are along Park Avenue. Mr. Preston refers to the fifty million horsepower in the rivers in this country which could be used to produce hydro-electric energy. Possibly Mr. Preston is aware of a financier who will advance the necessary means to develop this power. Has he not heard of the large steam plant which the Buffalo General Electric Company has built so close to Niagara Falls?

It is not the fault of the Big Four Brotherhoods that the railroads are not electrifying as Mr. Preston intimates, but that electrification is extremely expensive and only pays where there is a great density of traffic, or a mountain grade with cheap water power and the possibility of using regenerative braking, or where it is desired to increase the train headway so as to carry a greater traffic at a given time over a line such as was the case of the Norfolk & Western.

The next several years will no doubt find a certain amount of electrification but in all cases this will be governed by the financial problem of where can the money be found and next will it pay? It is no longer possible to issue first mortgage bonds on our railroads, and it would be quite difficult to secure the electric overhead structures by a particular mortgage. The credit of the railroads is such that either debentures or stock, with but a very few exceptions, would be very difficult to sell, so that the means for electrification is extremely difficult to find.

Aside from these few comments, the writer cannot help but agree with Mr. Preston that railroad electrification is desirable.—P. C.

The writer of the above letter, while his criticisms of Mr. Preston's articles are narrowly correct, fails to take into consideration that if railroad managers could they would electrify every mile of road in the country. Mr. Preston's thesis that electrification would render railroad operation more efficient and profitable is a fair one. Certainly the tendency, albeit a very slow one, is toward putting the roads in certain sections, at least, on the electric basis. The only real difficulty is the securing of funds for this purpose. Were railroad credit high to-day, there is no doubt that there would be a considerable amount of effort expended with regard to the electrification of the roads. Primarily the problem is a financial one and not so much an engineering one, although the difficulties in this latter respect are not to be minimized.—EDITOR.

ANSWERS TO INQUIRIES ON INDUSTRIAL SECURITIES

(*Continued from page* 547)

INTERNATIONAL PETROLEUM LTD.

Large South American Holdings

Will you be good enough please to send me a complete report on International Petroleum Co. Ltd. of Canada.—H. J. T., Dover, O.

International Petroleum Co. is capitalized as follows: preferred stock, 100,000 shares outstanding, par value $5; common stock no par value, 7,122,504 shares outstanding. The company has no funded debt. A dividend of 25 cents a share was paid in January, 1921, and another dividend of 25 cents was paid January 3rd, 1922. The company is controlled by the Imperial Oil Company, Ltd., of Canada, which in turn is controlled by the Standard Oil of New Jersey. The company owns large petroleum fields in Peru considered among the most valuable oil properties in South America and is producing from this property close to 2,000,000 barrels of oil a year. The greatest possibilities of the company, however, are thought to lie in its large holdings of oil concessions in Colombia. Through its subsidiary, the Tropical Oil Company, this company controls the oil rights of 2,000,000 acres. The latter properties are not yet developed and it is estimated that the company will spend from $20,000,000 to $25,000,000 in developing these concessions. The stock should be regarded as speculative but appears to have attractive possibilities as a long pull proposition. In view of the large funds it has to spend in development, however, it is rather expected that the dividend policy will be decidedly conservative and the stock looks high enough for the time being at 23.

NIPISSING MINES

Life of Mine Limited

I have been an investor in the stock of Nipissing Mines for a number of years and the dividends I have received have been sufficiently large to enable me to write down the initial cost of the stock to practically nothing. What I would like to know is if you consider it worth my while to continue to hold the stock for dividends or sell out at present prices. I have been wondering whether the ore may be giving out as earnings and dividends have declined in the past year.—J. H. B., Muskogee, Okla.

There are many reasons for believing that the rich ore body on which the Nipissing Mining Co. has been operating for years with substantial profits, is beginning to peter out. For example, production value for the year 1918 was $4,040,446, in 1919 it was $3,752,084, in 1920 $2,503,223 and in 1921 $1,869,566. Another indication of the probable exhaustion of this mine in the near future is the efforts the management has been making to locate other properties. Two options on properties were taken but have not as yet been exercised. The company in 1919 acquired some oil leases but has not been particularly successful in this field. In view of the fact that the company has net liquid assets equal to about $3.50 a share the present price of 5½ does not seem unduly high. It might

be just as well, therefore, for you to maintain your shares as there is always the possibility of further development work uncovering unexpectedly rich values.

ODD LOT EXECUTIONS AND THE PARTIAL-PAYMENT PLAN

(*Continued from page* 495)

an innovation would be more than welcome, for under such a plan his monthly deposit would be paid into a banking institution which would carry the security for him and deliver it when it was fully paid for. The objection might be raised that at times partial-payment buyers fail to make their payments promptly. In such cases the Trust Company could set a final date when such payments must be made, in the absence of which the account would be transferred back to the broker with whom it originated and thereafter be carried as a regular margin account.

"The Trust Company being organized solely as a service, clearing and banking department of the New York Stock Exchange, would not undertake any other branch of the banking business. It should not accept deposits or supply any of the other numerous services now rendered by trust companies and banks. It would be part of the machinery of the New York Stock Exchange. It would clear and finance odd lots. It would lend or borrow money and securities. That is all.

"Under such an arrangement very little competition could continue to exist from bucket shops, or other irresponsible houses who offer to carry odd lots of stock on the Partial Payment Plan. An increasing number of corporations would find it to their advantage to list their securities on the New York Stock Exchange, so that the whole country would more than ever look to that institution for investment mediums of a national character.

Public Would Be Benefited

"The public wants to buy odd lots of bonds on the Partial Payment Plan, because that is an excellent way of saving and investing small sums of money periodically; and the fact that the Partial Payment business has of late years been permitted to drift into unscrupulous hands, so that as an argument in favor of investment it has largely lost its prestige, is no excuse for permitting this very excellent method to suffer from further neglect.

"If, in addition, the Exchange should provide facilities for executing odd-lot orders in from five to thirty seconds and should work out a plan for insuring clients of firms against loss through failures, a vastly widened market would result. This would aid in diverting the savings of investors into legitimate channels and away from get-rich-quick promotions. It would encourage those traders who, beginning in a small way, eventually develop into substantial operators and thus aid in creating a broad security market."

We trust that the suggestions herein and in preceding articles and letters published in this MAGAZINE, if not adopted in their entirety, will aid in creating facilities vastly superior to those which now exist.

JUNE TRAFFIC BEST OF YEAR

(Continued from page 511)

heavy fall business. A study of the earnings will show that gross earnings are ahead of 1921, and as roads all over the country are now saving considerably more of each dollar received than they did in 1921, it becomes quite evident that the real factor which is cutting earnings is the heavy maintenance charges. We expect to see some very remarkable showings by such roads as Atchison, Union Pacific and Southern Pacific for the fall months of the year. The reports of coal roads carrying a large percentage of non-union mined coal are extremely gratifying. Baltimore & Ohio, Chesapeake & Ohio and Norfolk & Western are breaking all previous records. The first named road is in a particularly sound position, as under normal conditions it carries a very large percentage of unionized coal, and the settlement of the coal strike will undoubtedly be a great stimulus to normal coal traffic in the coming months. It is our opinion that Baltimore & Ohio will continue to report very large earnings each month, and that the road will make one of the most remarkable showings made by any road in the country this year. It should not be long before this road resumes dividends on its common stock, and it would not surprise the writer at all if it were placed on a 6% basis instead of the generally expected 4% rate.

Forecast of July Earnings

The shopmen's strike affected earnings very slightly, and what losses were sustained were mostly in passenger traffic. Carloadings for the first two weeks of July indicate that the volume of traffic for the month will undoubtedly be as high as that for June, and probably slightly in excess of that month. Gross and net earnings, however, will not be up to the June level, because of the freight rate cuts installed on the first of the month. The falling off will probably not amount to much, as wage reductions offset to a very large extent the rate decreases. In the opinion of the writer, net earnings will exceed any previous month of this year, with the exception of March and June.

Our Income Tax Deficit

Preliminary computations based on the income tax returns thus far made public point to a probable deficit of about $200,000,000 as compared with what had been expected. The basis, of course, may not be altogether accurate, since it is never possible to tell what proportion of taxpayers have remitted in full, and what proportion are following the plan of quarterly installments. There are some observers who evidently believe that the $200,000,000 estimate is too small. What effect this will have upon the debtfunding plans of the Treasury needs no imagination to indicate. It, however, emphasizes still more pointedly the fact that the Treasury cannot pay either bonuses or subsidies out of a "surplus" which is a good deal less than nothing, being written in red ink on the wrong side of the ledger.

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The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent, free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service.

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An illustrative 5-minute talk explaining the fundamentals which influence the course of foreign exchange rates and their bearing on the price of foreign securities. (205)

MID-YEAR INVESTMENTS
Listing a number of current public utility offerings yielding from 5½ to 8%, possessing an exceptional degree of stability. (206)

A SURE ROAD TO FINANCIAL INDEPENDENCE
An investment plan of a high-grade Bond house offering a safe, systematic, stimulating means of accumulating wealth and investment income. (207)

HOW HENRY WILKINSON BECAME RICH! WHEN LUCY FARRAR'S SHIP CAME IN!
Two extremely interesting investment stories from real life that all income builders should read. (208)

HOW ODD LOTS ARE BOUGHT AND SOLD
A booklet that should prove of great interest to buyers of odd lots. (212)

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